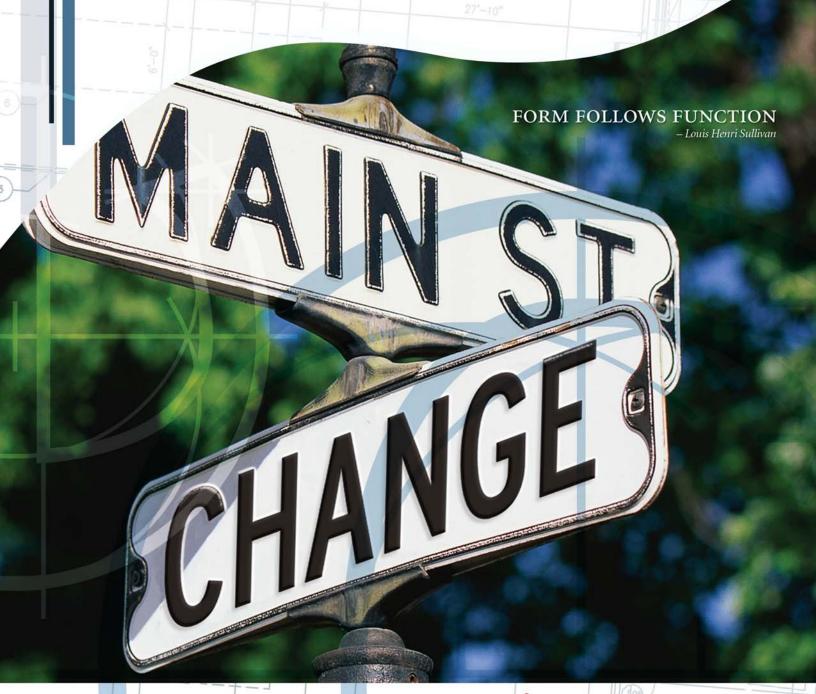


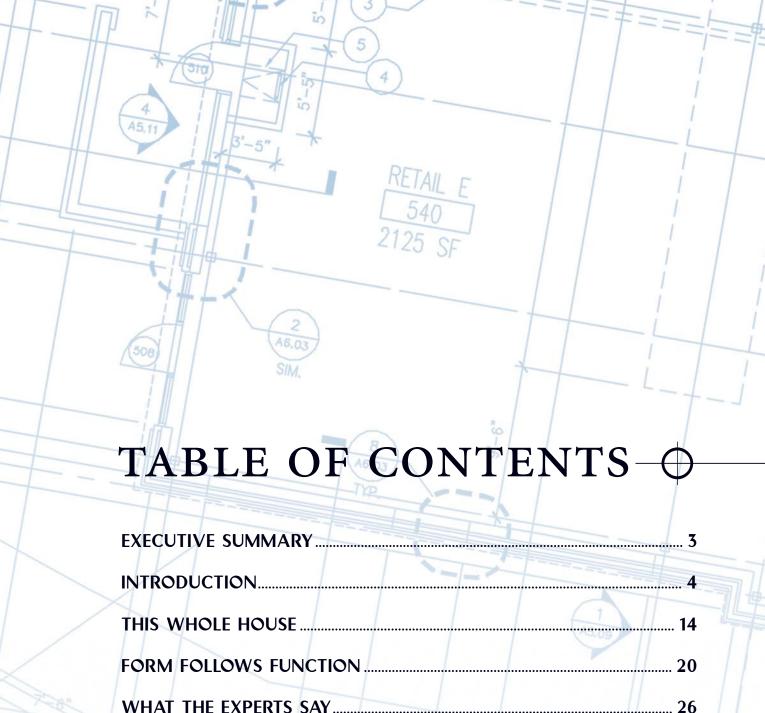


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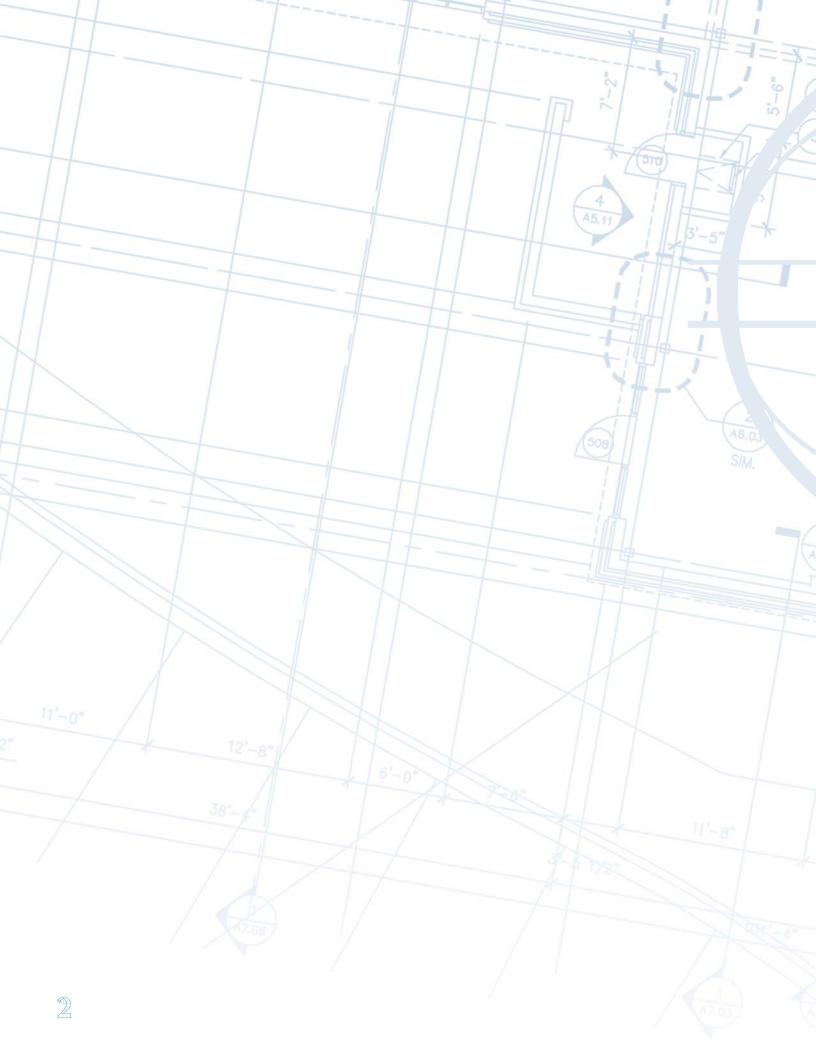
southern growth policies board





ENDNOTES 36

ACKNOWLEDGEMENTS.....



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The prosperity of the rural South is crucial to the prosperity of the South as a whole. While only 20 percent of Americans live in rural areas, 34 percent of Southerners do. Although measurable progress has been made in the past several decades, the rural South continues to lag the nation in terms of educational achievement, health care and economic performance. The New Architecture of Rural Prosperity is dedicated to closing the economic gap between the rural South and the nation as a whole.

In preparing for this report, Southern Growth Policies Board engaged more than 2200 Southerners in retreats, focus groups, community forums and surveys. More than anything else, the report is a response to the concerns, challenges, values and ideas expressed by all those volunteers.

The release of this report adds to the substantial body of existing work from public and private organizations regarding how rural communities can achieve greater prosperity. Southern Growth acknowledges with gratitude and admiration the work that has come before. Many have written about the importance of technology and innovation, entrepreneurship, workforce development and quality of life issues. Southern Growth itself is on record, for example, calling for the creation of a "culture of learning in the South."

These recommendations remain crucially important for the rural South. Serious and sustained attention to them is a prerequisite for future success. Since what should be done is a matter of some consensus, the mission of this report is the equally important question of how best to achieve these agreed-upon goals. The

research performed at Southern Growth and the conversations convened around it led to an examination of the economic development enterprise and these cardinal recommendations:

- Manage economic development as a set of interrelated activities that directly and indirectly create, expand and recruit businesses.
- Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

The first chapter of this report amplifies both recommendations. The next chapter discusses how innovative Southerners are implementing the first recommendation. The following chapter is a review of regional initiatives. Following that is "Listening to the South," a report on the retreat, forums, focus groups and survey that illuminate this work. The last chapter summarizes the recent work of other experts in rural economic development. Sprinkled throughout the report are entries from the Southern Growth Idea Bank, an online resource of best practices.

Among the important potential action items for states are:

- Help communities and citizens understand the whole economic development process.
- Encourage institutions of higher education to be fully engaged in economic development.
- Provide seed funding for regional initiatives.
- Use incentives to encourage regional collaboration.
- Given a dramatically-shifting funding environment, consider anew how economic development initiatives can and should be funded in the future.

## INTRODUCTION

#### THE NEW ARCHITECTURE OF RURAL PROSPERITY

The rural South has given birth to Presidents, CEOs, entrepreneurs, inventors, artists, musicians and writers. It is the mountains, the plains, the Delta. At different times in its history, it has been dominated by farming, manufacturing and NASCAR. The rural South is where the cotton gin was invented, where uranium isotopes were separated for the first atomic bomb. It has the richest soil; it is dirt poor. It has been the land of cotton, the land of sugar, the land of soybeans, the land of branch plants. It is a land of abiding faith and of deals with the devil at the crossroads.

Loretta Lynn sang of being born "in a cabin on a hill in Butcher Holler," Dolly Parton of the poverty that gave her a "coat of many colors." John D. Loudermilk sang of being "left to die or grow in the middle of Tobacco Road." Rabbit Brown sang, "'Cause I was born in the country, she thinks I'm easy to rule." The rural South is the land of bluegrass and country music, the legendary birthplace of the blues. It is down from the mountain and up from the fields. The South itself was born in the country; the rural South represents the history and identity of the South as a whole.

Over the past quarter of a century, a great deal of outstanding policy work has been performed on the subject of rural development. Some of that work is summarized in the "What the Experts Say" section of this report. In addition to the policy work, hundreds of initiatives have been launched, many of them innovative and successful. Some of the most interesting initiatives appear throughout this report as examples from the Southern Growth Idea Bank – an online best practices resource. In preparing for this 2005 Report on the Future of the South, Southern Growth Policies Board examined the existing policy work and a plethora of rural initiatives, successful and unsuccessful.

The process that led to the release of this report began with what has become the hallmark of Southern Growth's work: listening carefully to the citizens of the South. First, a regional retreat was convened in North Carolina where leaders from all over the South brainstormed for two days. Then community forums and focus groups were

held throughout the region. This spring, an online survey was launched to give Southerners who could not attend any of the other meetings a chance to raise their voices on this vital matter. The listening process and the findings from the process are presented in greater detail in the "Listening to the South" section of this report. With more than 2200 people participating and providing input, five major themes emerged. They include the need for:

- 1. Strong, forward-thinking leadership;
- 2. Strategies to make rural areas attractive to young people;
- 3. Quality education;
- 4. Maintaining a distinctly rural character; and
- 5. Strategic investments in infrastructure.

The first of these five themes has been a major topic of research for Southern Growth Policies Board, culminating in the release of *Reinventing the Wheel*, the 2003 Report on the Future of the South.<sup>3</sup> That report was rich with examples of how communities are engaging more citizens and building better leaders. A central theme of the report was the need to do a better job of listening to young people and to engage them early in positions of responsibility.

That recommendation also bears directly on the second major theme here, the loss of young people from rural areas. That, in turn, has a direct relationship with the third theme: the critical importance of education. It is a cruel irony that providing a better education for rural students makes it easier for those young people to find opportunities elsewhere. More than one rural leader has thrown up his or her hands in frustration when told that education is the answer. "Sure, we can educate them," they say, "and as soon as they get a good education, they're gone."

Building prosperous rural areas then, requires more than just education. Opportunities for using a good education must also be created. However, the frustration over the brain drain should not be allowed to mask this fundamentally important reality: the problems absolutely cannot be solved without substantially higher levels of education achievement in our rural communities. Said another way, better educational accomplishment may

"The challenges facing rural Alabama impact all of our citizens, no matter where they live, because the state as a whole cannot reach its full potential if one part falls behind. Many people enjoy the rural lifestyle and we want to protect what makes rural Alabama so unique. However, we must work to ensure that new jobs are created for residents, students receive a high quality education and all citizens have access to good medical care."

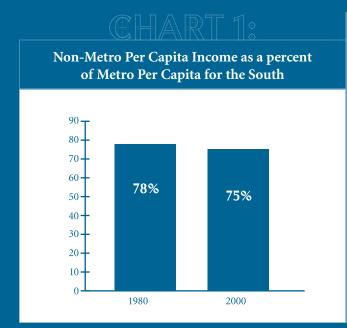
- Governor Bob Riley, Alabama

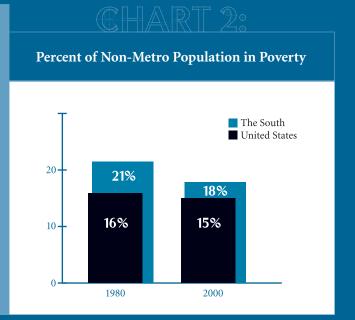
not be sufficient for economic vitality, but it is necessary for economic vitality. As Southern Growth said in *Invented Here: Transforming the Southern Economy*, "...a region's performance in the knowledge economy can rise no higher than the sum of the knowledge of its people."

The fourth theme provides a particularly important insight into the nuances of effective rural policy development. Vigorous population growth is usually viewed as a marker for strong local economies. Often the rural areas that are cited by analysts as economic success stories are those that have made or are making the transition to urban status. However, many of the people who participated in the development of this report would disagree with such an assessment. For them, the genius of rural communities should not be sacrificed for the sake of growth. These voices pleaded for ways to create better economic opportunities for our rural areas without converting them into urban areas. That desire calls for a more thoughtful approach to economic development in the rural South.

The fifth theme, the need for investment in rural infrastructure, raises questions about the way governments make decisions on the allocation of resources for infrastructure. The questions are grounded in the reality that for rural areas to become more competitive, strategic investments will need to be made. Because of the fundamental relationships among space, distance and population density, those investments must come in large measure from outside. Funds, therefore, must be strategically and prudently "reallocated" to rural areas. Some examples of how communities are meeting funding challenges may be found in the "This Whole House" section of this report.

In listening to the concerns of Southern citizens, Southern Growth board and staff members were struck by how often the answers to specific concerns were already in hand. For almost every question raised, something had already been written about an appropriate solution. Southern Growth's Innovator Award winners for 2005 and the initiatives represented in the Southern Growth Idea Bank provide





excellent evidence of the resourcefulness and capabilities of the South's rural communities.

Yet, despite the best efforts and isolated successes, the actual performance of the rural South still lags behind national averages and behind what rural Southerners actually desire. The rural South has, almost by definition, been a place that lagged behind other areas of the United States in educational achievement, economic prosperity and other vital statistics. Per capita income in the rural South is only 75 percent of metropolitan per capita income (see Chart 1). Poverty rates in the South's rural counties and parishes are almost 50 percent higher than poverty rates in the metropolitan areas (see Chart 2).5 Infant mortality rates are higher in rural areas, and access to physicians considerably lower. Educational attainment both at the high school and college level is markedly lower in the South's rural areas, particularly unacceptable in light of the South's overall below average performance (see Charts 3 and 4). This is important because the South is more rural than the nation as a whole. While 20 percent of Americans reside in rural areas, 34 percent of Southerners do so (see Chart 5).

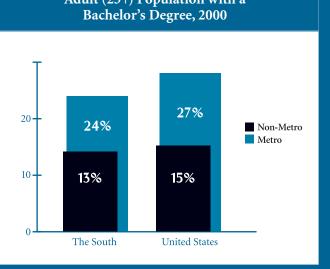
The South<sup>6</sup> has made progress in closing some of these gaps, but the need for action is brought into high relief by the realization that the South's share of the nation's economy has declined since 1980 (see Chart 6). For this reason, Southern Growth focuses the recommendations of this report not so much on what to do, but on how to do it. The recommendations ultimately are about the framework or architecture of rural prosperity.

Economists have often distinguished "economic development" activities from "economic growth" activities, the former referring to the build-from-within initiatives (capacity-building), the latter referring primarily to industrial recruitment. Over the past 25 years, a sometimes destructive schism has emerged between practitioners of these two approaches. At times, advocates of each have claimed that what the others were doing did not constitute economic development.

That point of view and the schism itself are counterproductive for the task at hand: creating the best economic opportunities for the most people.

#### Adult (25+) Population with a High School Degree or Equivalent, 2000 90 81% 79% 70 -60. Non-Metro 50. 70% 77% Metro 40-30-20-10. The South **United States**





"Because many of our state colleges and universities are located in rural communities, any investment in higher education can provide great benefits to those areas. University campuses and the resources they offer help us attract businesses to small cities or towns that might not otherwise be in the hunt for new jobs or development. By retooling and updating college facilities with a major capital improvements effort, particularly schools with research capabilities, we can make the state's many rural communities a more attractive place for private investment and create new opportunities for citizens there."

- Governor Brad Henry, Oklahoma

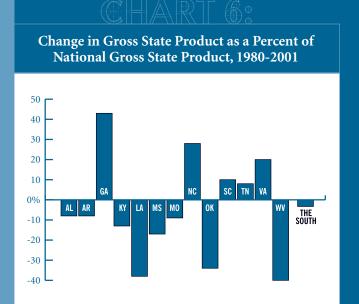
Thousands of Southern professionals are employed as industrial recruiters and all of them are economic developers; many of them carry the Certified Economic Developer (CED) designation on their business cards. State government, chambers of commerce, municipalities, economic development organizations, and utility companies are among those employing industrial recruiters.

In the meantime, the capacity builders constitute a more diverse, less coordinated group. They include the strategic planners, the technology and innovation practitioners, the technology transfer professionals, the support networks for entrepreneurs, the workforce developers, the civic engagement and social capital groups, the international trade groups, the industry cluster advocates, the community developers and many others. Some of these groups work with others; some do not. A crucially important aspect of their work as a whole is that it enhances the landscape for the industrial recruiters. Everything that the capacity builders work to achieve

makes the community, region or state a more attractive location for industrial recruitment. The necessity of building quality communities is the common ground between the two groups.

Healing the schism between these segments of the economic development community will require leadership, statesmanship and patience. The strategic point of view that must be employed to heal that schism is also the first major recommendation of this report.

# Why Rural Matters: Percent of Population Living in Non-Metro Areas, 2000 The South United States



"Small business is Georgia's largest economic engine for creating jobs and revenue. As a middle Georgia business owner, I have seen firsthand the contributions that small businesses make to rural communities and the opportunities they provide for hardworking Georgians."

- Governor Sonny Perdue, Georgia

## **RECOMMENDATION ONE:**

# Manage economic development as a set of interrelated activities that – directly and indirectly – create, expand and recruit businesses.

Imagine a house designed by seven different architects who speak to each other in seven different languages, or an office building constructed by a group of independent contractors but no general contractor. At times, that's the way communication seems to be among the various parties and organizations responsible for economic development activities. The result is a house whose component parts often don't work well together. The corners are not square, the roof is sagging, the plumbing is faulty, and wind whistles through openings around doors and windows.

If the rural South is to enjoy sustained prosperity, then its economic development architecture must be perceived whole and understood in all its diversity. It must be designed and managed as an integrated enterprise. The activities of industrial recruiters and the activities of the capacity builders must be brought into strategic alignment and operational harmony.

Economic development is a set of interrelated activities that directly and indirectly support the creation of new businesses, the profitability and expansion of existing businesses, and the recruitment of other businesses from outside the community, region or state. Executives responsible for economic development organizations should be thinking about how these three sets of activities fit together, and should allocate time and resources accordingly. States, regions and communities need to consider how resources are allocated among those three in light of the job and wealth creation potential of each.

Economic development cannot and should not operate outside of a context of quality of life. The only reason that economic development is a public responsibility in the first place is to assure that citizens have adequate financial resources to enjoy a reasonable quality of life.

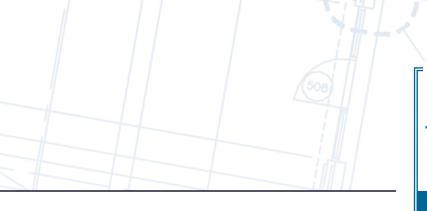
In addition to public and private organizations that work directly on new business creation, existing business expansion, and industrial recruitment, a wide range of players are involved in indirect activities that enhance one or more of the three aspects of direct economic development. These indirect actors include those involved in education and workforce training, social

capital, civic engagement, etc. Others enhancing economic development include individuals and organizations involved in such activities as scientific research, technology transfer, and seed and venture capital. Here too, a state, region or community should be viewing all these activities strategically, assuring that all are functional, that communication and collaboration exists across institutional and sector lines, and that opportunities for leverage are maximized.

Those organizations and individuals providing funding for both indirect and direct economic development activities are in a particularly good position to insist on strategic alignment and management. Government, private, institutional and individual funders should insist that investments made to build capacity are aligned with the investments that are made to recruit industry. Otherwise, a region's industrial recruiters may be pursuing call centers while others try to build capacity for biotechnology firms.

Funders should provide incentives for collaboration among the disparate elements in the economic development community. Funders should also take responsibility for allocating resources in harmony with likely outcomes. If, for example, 80 percent of the economic growth in a state's economy is likely to come from within the state, then an appropriate allocation of resources should be made to nurture and assure that growth.

Government agencies, educational institutions and the media should communicate to the citizenry a better, more complete picture of how economic development works. The quality and quantity of citizen engagement in economic development should be an ongoing concern for professional economic developers. Citizens have a major stake in how economic development decisions are made and executed. The economic development plan for any community or region should be a product of the collective vision and imagination of its citizens. If education is too important to be left to educators, certainly economic development is too important to leave to economic developers.



In rural communities, the distinction between "economic developer" and "citizen" is, in any case, blurred because a smaller number of leaders are expected to play different roles. The distinction between public and private activities is similarly blurred in rural settings because there are only so many people to get everything done. This makes it imperative to get clear about what economic development means and how its component parts work together.

Finally, economic developers of all stripes must take personal responsibility for building a more reasoned and civil discourse. A new consensus on economic development needs to be built over the schism that now exists between the advocates of capacity building and the advocates of industrial recruitment. That will occur when economic developers do a better job of listening to each other, building trust among the various sectors, and seeking opportunities for real and sustained collaboration.



#### Rural Enterprises of Oklahoma, Inc.

Rural Enterprises of Oklahoma, Inc. (REI) has served Oklahoma for 21 years by focusing on the creation and retention of jobs in the rural economy. The Rural Women's Business Center (RWBC) supports REI's mission by assisting rural women entrepreneurs. Women-owned businesses are growing at twice the rate of all businesses, all the more significant since the national economy has grown increasingly reliant on small business growth as a source of new jobs. RWBC joined forces with the U.S. Small Business Administration to implement a series of quarterly roundtables for female proprietors and prospective entrepreneurs. Through RWBC events, women receive networking opportunities, training and one-on-one business counseling. RWBC has served more than 748 women since 2001.

Visit the Southern Growth Idea Bank at www.southern.org for more program profiles and best practices.

The "This Whole House" section of this report describes how Southerners can and do build effective partnerships in the many rooms of the economic development house.

### **RECOMMENDATION TWO:**

# Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

For some time now, leading economic development thinkers have encouraged the organization and delivery of economic development services at the "regional" level. "Regional" in this context has a very specific meaning, but unfortunately it is often lost among its more general and often very different meanings.

For example, Southern Growth Policies Board is often described as a "regional" organization, referring to the Southern region of the United States. Two important federal agencies with significant interests and responsibilities in the South have "regional" in their names: the Appalachian Regional Commission (ARC) and the Delta Regional Authority (DRA). In those cases, "regional" refers to groups of federally designated counties sharing geographic characteristics.

However, the use of "regional" referring to the South, Appalachia, or the Delta would confuse anyone trying to understand what the economic development gurus have in mind when they discuss "regions." When a dictionary has eight or more definitions for "region," it becomes very difficult to mount effective policy discussions among different people using the word to mean different things. One Southern Growth focus group participant suggested that a new word, perhaps a new lexicon, is needed to further this conversation.

At root, the use of the term "region" in economic development connects to Louis Henri Sullivan's famous architectural dictum "Form follows function." The economy itself tends to be organized into loosely delineated regions that in fact have a "...distinct composition, business environment, and relationships to neighboring regions." In most cases, these regions will contain at least one metropolitan area that serves as a trade center, transportation hub and principle identifier.

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The power of regional organization in no way compromises either community or state roles in economic development. It simply means that communities are better served by aggregating their resources at the regional level, and states are better served by encouraging the delivery of services at the regional level. That may often mean that states find themselves in a position of encouraging collaboration across state lines since economic development regions are rarely inhibited by political boundaries.

Leading economic development practitioners have urged the management of economic development along regional lines for some time. In the South, Chapel Hill's Regional Technology Strategies (RTS) and Atlanta's Market Street Services have been involved in the creation of numerous regional economic strategies. In applying regional theory to practice, the definition must become grounded in local reality. RTS Partner Trent Williams says, "We begin the process of defining a region by identifying an economic activity hub and then we assume that anyone within an hour's drive of the hub is in the market area. As we learn more about the region we adjust these boundaries – sometimes dramatically."

Similarly, Mac Holladay of Market Street Services says, "Many times the commuting patterns will tell you a great deal about where the regional boundaries are. One thing is for sure, political boundaries are of no consequence as it relates to the market."9

Nationally, there is a significant trend towards creation, expansion, or reorganization of economic development entities along regional lines. In a client survey in 2003, RTS gathered information on than 140 such entities nationally, most of them public-private partnerships and many of them organized within the past decade. A University of Kentucky study from 2002 found a similar number of regional partnerships for economic development.

Some states have imposed a top-down organizational matrix by formally creating economic development regions. Others have encouraged more organic regional collaboration through policy and funding incentives. The "Form Follows Function" section of this report describes how states can and do encourage regional collaboration.

In recent years, a number of experts have begun to make a compelling case that regional collaboration is crucial to rural communities. Mark Drabenstott of the Center for

the Study of Rural America and Charles Fluharty of the Rural Policy Research Institute (RUPRI) argue convincingly that rural communities must band together to achieve the critical mass that will allow them to be competitive. Each writes of the need for new templates for rural governance. In this context, RUPRI defines governance as "...the means by which people come together to identify key problems and opportunities, craft intelligent strategies, marshal necessary resources, and evaluate outcomes."12 It should be emphasized that "governance" here means both more and less than 'government." It means more than government because many non-governmental players must be involved. It means less than government because the emergent structure is often not a governmental entity, but some form of public-private partnership.

Southern Growth's 1998 Commission on the Future of the South Report said, "To build our competitive position, we need to build broader economic partnerships. No state, and certainly no community, can afford to go it alone."

Applied in a rural context, that statement is even more relevant. The economy is complex, global and constantly changing. Comprehensive economic development expertise is in short supply. For all of these reasons and more, Southern Growth Policies Board strongly urges rural communities to organize regionally for the pursuit of economic opportunity.

#### A SAMPLE DESIGN FOR RURAL PROSPERITY

What would it look like to implement both of the foregoing recommendations simultaneously? Who would be responsible for these activities?

Southern Growth is confident that Southerners will find a multiplicity of paths to economic development success. The path offered here is by example only. Southern Growth's interest is less in the particular model than in the behavior described. Duke University's Hall of Fame basketball coach Mike Krzyzewski says, "We try not to teach our team an offense, we try to teach our team offense." Each region of the South is unique. Each has its own history, culture, and institutions. Each is at a different place on the path to economic prosperity. It would be silly to impose a single solution on all regions.

"An Arkansas Supreme Court order gave us an opportunity to create a school system that would allow a child to come from anywhere in our state and compete against students from anywhere else. For too long in Arkansas and across the South, we looked the other way when we saw educational shortcomings that were robbing our students of the opportunity to break the cycles of ignorance and poverty. Fortunately, we had leaders who refused to be swayed by those who believed that incremental change or delayed action would bring about the desired results. This was our chance to finally get it right."

- Governor Mike Huckabee, Arkansas

However, Southern Growth urges all regions, and particularly all rural communities to implement the recommendations of this report. One way to approach implementation is the creation of what might be called a Regional Prosperity Alliance (RPA), functioning from the outset along the lines of a regional economy. The term "alliance" is used here to emphasize four important aspects of the organization.

#### Multi-disciplined

The partners within each Alliance should represent a broad cross-section of individuals and organizations within the region. Governmental entities, both those with explicit economic development responsibilities and those whose success contributes to economic development, should be involved. The private sector must be involved because, ultimately, economic development (in the form of jobs and wealth) occurs in the private sector. Educational institutions – K-12, community colleges, vocational-technical schools, and universities – are vitally important partners in terms of both the building of a qualified workforce and base of regional knowledge. Private citizens should be an integral part of each Alliance, providing grassroots input and support.

#### Collaborative

An Alliance does not have to replace or compete with existing organizations. Alliances should not be a threat to existing community or regional organizations. An Alliance would, for example, build on and include the activities of a regional chamber of commerce. It might even be housed and administered by an existing regional organization. The creation of an Alliance need not be accompanied by the creation of a new bureaucracy with its attendant overhead costs. The point of an Alliance is to make sure that existing resources are fully utilized and enhanced.

#### Flexible

Each Alliance will and should be different from any other. An Alliance should be designed from the beginning to fit the market circumstances of its region and to build upon the specific assets of the region. The geographic lines of an Alliance should be subject to change as conditions warrant. The partners in an Alliance should be prepared to change their roles as circumstances dictate.

#### Inter-jurisdictional

Each Alliance should be composed of more than one jurisdiction; each should be a "community of communities." This is at the heart of the regional economic development concept. Without widespread participation of communities within a region, it will be impossible to develop a common vision, a sense of regional ownership. It will be impossible to achieve the critical mass that is a prerequisite to economic success. This means overcoming intra-regional rivalries and political disputes. Forum and focus group participants told Southern Growth that high school football rivalries often create significant barriers to collective action. Other participants expressed a fear of losing community identity in the creation of regional identity. This must be overcome by building a regional identity that is composed of the collection of community identities and therefore cannot replace them.

## WHAT WOULD A REGIONAL PROSPERITY ALLIANCE DO?

An RPA should be the organization within the region that is prepared to aim high, to envision major and sustained improvement in the level of economic opportunity. It is at the regional level that critical mass can be achieved from a financial, political and managerial standpoint. It should do what individual communities cannot do. It should build on the assets, strengths and characteristics of each community within the region. No community loses its identity; each gains an additional identity in relation to the region.

#### A Regional Prosperity Alliance would:

#### Convene

One crucial early task for an RPA would be to bring all of the players together, to convene and facilitate a conversation on the future of the region. This conversation should be inclusive, informed and wideranging. It should draw on outside expertise but be driven by the aspirations of the citizens and communities within the region. The conversation should be facilitated towards consensus, towards the creation of a vision of regional success. The conversation should be ongoing and continually refreshed. "I believe that if we are going to eliminate the cruel cycle of poverty and other ills affecting our state, we must start at the grassroots level. Individual communities must unite to share their concerns and work together to develop solutions. My administration wants to partner with communities to help them achieve prosperity."

- Governor Kathleen Babineaux Blanco, Louisiana

#### Plan

The RPA would be responsible for the creation of a strategic plan to fulfill the regional vision. This process would also be inclusive, drawing upon all of the individual and institutional resources of the region, and it would assign specific responsibilities to participants within the Alliance. The plan should be built on the assets of the communities within the region. It should identify opportunities for the development and exploitation of niche markets, the pursuit of innovative enterprises and activities, and the positioning of the region to be competitive in a global marketplace.

#### Fund

Because of its regional focus, the Alliance would be in a better position to view funding challenges than would any individual community. The Alliance should take on the challenge of identifying and coordinating multiple funding streams. It should maintain relationships with state and federal funders, foundations, corporate donors and private benefactors.

#### Coordinate

Because the execution of the strategic plan would rely on the expertise and commitments of the partners within each RPA, the Alliance itself would coordinate those activities. It would work to eliminate overlaps, manage conflicts and make adjustments when necessary. A major coordination task for the Alliance would be addressing funding issues, a subject addressed more fully in the "This Whole House" section of this report.

#### Measure

The RPA would be responsible for setting benchmarks and targets for regional success. It would report the region's progress towards goals and objectives. It would be responsible for the constant adjustments to the regional plan that will be necessary to keep such a plan fresh, relevant and effective.

## What would be the range of activities for a Regional Prosperity Alliance?

The RPA's ability to perform lies chiefly within the capabilities of its constituent parts: the individuals and organizations committed to regional action. Long ago, neighboring farm families would come together for barn raisings as well as raising churches and schools. The chief function of an RPA is similar. The heavy lifting

is shared among the extended family of organizational allies. The following listing is intended to give an idea of an RPA's scope, but is not intended to exclude other worthwhile pursuits.

#### Innovation

- Entrepreneurship
- Small Business Assistance
- Business Retention
- Business Cluster Support
- Technology Transfer
- Manufacturing Extension Services
- Industrial Recruitment
- Infrastructure Investment

#### Community

- Leadership
- Civic Engagement
- Race and Cultural Challenges
- Youth Involvement
- · Health Care
- Child Care
- Transportation
- Tourism

#### Globalization

- Trade Visits
- Export Promotion
- Globalization Awareness
- Sister Cities Programs
- Foreign Industrial Recruitment

#### Workforce

- P-12 Education
- Vocational-Technical Education
- Community College Linkages
- Workforce Training

## How would an RPA tackle one of these functional areas?

The following example is intended only to show how the regional approach gives power and purpose to economic development activities. This is not intended to suggest that all regions should pursue this agenda.



#### **Education and Workforce Development**

Labor pools are like watersheds, stretching far beyond any given employer. Even most rural counties are inside the boundaries of a regional hub for business, education or shopping. Within that region, each school district's performance and each community's educational attainments have a direct impact on the whole region's ability to create, grow and attract businesses.

The increasing technical content and specialization of production also demands a more regional approach to instruction. Few small communities can expect to have the university and community college capability to offer specialized courses or training opportunities.

The specifics of how to do this must be organic to the region's situation and its leaders, youth and entrepreneurs. However, to illustrate in just this one instance, a goal worthy of an RPA might be "every capable child will graduate from high school and receive up to two free years of postsecondary education." Every suggestion below is taken from a real example in the South. These are visionary but feasible initiatives. The RPA could:

- Initiate a K-12 career awareness and internship program for all children;
- Launch a region-wide family literacy campaign;
- Convince all high schools in the region to share courses for credit;
- Push for the introduction or expansion of dual enrollment and Advanced Placement classes.
- Build consensus for setting a regional goal of a 100 percent pass rate for Algebra I in middle school, even in the poorest of districts.
- Establish a college scholarship fund for students within the region with small-sum donations.
- Promote pre-school health initiatives including a commitment to increase the percentage of women receiving pre-natal care during the first trimester.

## Has any region created a Regional Prosperity Alliance?

Southern Growth's research did not identify any regions that have created exactly such an entity, at least not by that name. There are, as indicated earlier in this report, a growing number of regional economic development initiatives in the U.S. and in the South. A number of those are taking on responsibilities as broad as those envisioned for an RPA. Southern Growth believes an organization designed to carry out both of these principal recommendations has the chance to make a major positive difference in its region.

Clearly, many of the regional planning districts (whose work is described in the "Form Follows Function" section of this report) play roles that are similar to what is envisioned here. Many do not enjoy the level of funding, regional buyin and community participation, however, that would allow them to realize their full potential. Southern Growth urges such entities to take this report as encouragement for renewal and expansion of their missions.

Sometimes, an organization may become something close to a Regional Prosperity Alliance without ever intending to do so. For example, in 1994, the non-profit Rapides Regional Medical Center in Alexandria, Louisiana was sold. A new organization was created with the \$150 million proceeds of the sale: the Rapides Foundation.

The Foundation established a multi-parish service area for its efforts, one that closely resembles an economic region. Because of its history as a health care organization, the Foundation focused early on "healthy people" and "healthy communities," initiatives carried out at the regional level. Along its way, the Foundation's board saw education attainment as a major barrier to the region's growth, so it established a regional education initiative.

More recently, the Foundation created and funded the Cenla Advantage Partnership, a business-driven regional economic development organization. The Foundation is also providing support for smaller communities to think and act regionally on economic development challenges.

Many other individuals and organizations are working hard to create economic opportunity for their communities, regions and states. Southern Growth salutes all who have given their money and their time to this mission. Our rural economic development challenges are substantial, but change and progress are possible. The communities and people of the rural South demonstrate that possibility on a daily basis.

## THIS WHOLE HOUSE

#### **RECOMMENDATION ONE:**

Manage economic development as a set of interrelated activities that – directly and indirectly – create, expand and recruit businesses.

In the comedy Waking Ned Devine, an impoverished Irish village strikes it rich when one of its residents wins the national lottery. On learning of his good fortune, the elderly winner drops dead of a heart attack. Subsequently, all the townspeople pitch in to hoodwink the lottery authorities into believing Ned is still alive. They succeed in the ruse and everyone ends up sharing equally in the money.

That's Hollywood. In real life, there's no get-rich-quick solution for rural communities, and the benefits of the knowledge economy are unevenly distributed.

Parts of the rural South are nonetheless making real progress. Some initiatives work one person at a time; others effect systemic change. How do they do it? The answer is, all kinds of ways and by making full use of all the rooms in the house of economic development.

## BARRIERS TO MANAGING ECONOMIC DEVELOPMENT WHOLE

Based on an examination of 200 initiatives affecting rural change that were nominated for Southern Growth's 2005 Innovator Awards, it is evident that many had something in common: most "bubbled up" via interdisciplinary teams that blended funding and core competencies. Among the programs examined, the principal change agents included the private sector, universities, philanthropists (both foundations and individuals), and local and state government agencies. The initiatives demonstrate clearly the diversity of the economic development enterprise as well as the creativity and persistence of rural Southerners.

Why don't we see more interdisciplinary activity? Key barriers include:

#### **Turf protection**

It's only natural that individuals and organizations are inclined to protect their own turf – job, esteem, mission and funding sources.

#### Not seeing the whole picture

People and organizations are so focused on getting their own jobs done that they have few opportunities to view how their work relates to the overall economic development mission. Even within a particular economic development sector, people and organizations may not know everyone involved and who is doing what.

#### Lack of personal relationships

Collaboration isn't automatic, even where people see the whole picture. They may know of an organization, but not have the personal connections that are likely to spark discussions about collaboration.

#### High turnover in leadership positions

Turnover in leadership often means starting over, even where relationships between organizations have been built.

#### Limited philanthropic infrastructure

According to the Southern Rural Development Initiative, studies show that less than three percent of Southern philanthropic assets are held in rural communities, and that fewer than six percent of grants in the region go to rural locations.<sup>14</sup>

#### Vulnerable funding

Experience shows that innovative partnerships in rural areas rely heavily on government funding, which is vulnerable to cutbacks.

#### Clash of styles

Different organizations have different salary structures and procedures and may operate at a different pace.

#### POTENTIAL ACTIONS

#### Get the private sector involved

The active presence of the private sector brings with it vitality, real-world experience and market relevance. Businesses can be effective in bringing about economic progress both through associations and on an individual basis.

# RECOMMENDATION ONE

Manage economic development as a set of interrelated activities that – directly and indirectly – create, expand and recruit businesses.

For example, national industry leaders banded together to launch the Concrete Industry Management Program to fill an immediate shortage of concrete business managers. The industries collaborated with Middle Tennessee State University to create an entire curriculum leading to a bachelor's degree in concrete management. Tennessee industry leaders also raised funds for training, equipment, student recruitment, and scholarships.

Other businesses support rural development for a longerterm return on investment. Such is the case when businesses act to raise the quality of an entire region's workforce, not just their own. Steel giant Nucor, which deliberately locates its plants in rural areas, offers college scholarships for its employees and their families. Individual firms that provide internships to teachers are also taking the long view.

#### Look to higher education as a facilitator

Research universities and land grant institutions are frequently involved at the start of rural development initiatives, with community colleges doing much of the hands-on implementation work. In some cases, community colleges are the lead partner, as in the many instances where they work with industry to develop certification programs.

Higher education gives support not only in terms of leadership and intellectual capacity, but also hard resources. In some cases faculty and departments are able to modify existing initiatives; in other cases they find new money. Either way, institutions of higher education tend to have local trust, expertise, national connections, management capacity and the financial depth to get through short-term squeezes. Although higher education may move slower than the private sector, organizational patience can be an asset: educational institutions generally have the mandate and ability to persist for the public good.

An innovative example is an initiative of the University of South Alabama (USA). USA's College of Medicine started its Bio-Trac program in 1998 to use telemedicine as a way to reduce the disparity in health care quality between rural and urban residents. In 2001, Bio-Trac launched a pilot project that deployed low cost bio-monitoring equipment directly into the homes of chronically ill

patients. The program used standard telephone lines and a small modem to connect home-based medical devices to a nurse-monitored database back at USA. The system also helped rural primary care doctors stay current on patient medical care, alerting them when patients received medical care elsewhere and introducing them to new medical practices. The pilot project saved so much money that Bio-Trac was awarded a state contract to monitor all of the state's rural chronically ill Medicaid patients. The program is now self-sustaining.

In some cases, a university creates a successful program after it gains experience through a commissioned study. For example, the Georgia Rural Development Council commissioned the University of Georgia's Housing and Demographics Research Center (HDRC) to study rural workforce housing conditions at three locations in the state. The Rural Development Council asked the Georgia Department of Community Affairs to underwrite the study. One of the three sites was Gold Kist, a major poultry processor in rural Georgia, with a large portion of its workforce being Latino. HDRC research revealed that many Latinos were unaware of how to buy or finance a home. The study was completed, but the experience convinced HDRC to persist in finding ways to increase homeownership. With no additional financing, it launched the Latino Home Ownership Partnership to bring together the disparate organizations that could make it happen, including a branch of the United Community Bank, the U.S. Department of Agriculture's county extension office, and a community development manager. As a result, Gold Kist has lower employee turnover rates, 70 new jobs have been created, and \$3 million in new home construction has been experienced plus another \$3 million in new business for local merchants.

## Call on philanthropic organizations to promote collaboration

Foundations and individual donors can play a much larger role in rural revitalization. In a recent report, the Mid-South Commission to Build Philanthropy acknowledges the South's strong practice of charitable giving – in fact, the poor give proportionately more of their income than the wealthy – but it decries the limited philanthropic infrastructure for channeling the impulse.<sup>15</sup> The Commission also expresses concern that, "the

"The key to enhancing and supporting economic development in rural communities is through technology expansion. In 2004, I signed a bill into law to create regulatory parity among competing broadband providers. This incentive continues to lead to an expansion of broadband service to rural Kentucky. My administration's progressive commitment to technology expansion in all parts of Kentucky will allow us to move into the knowledge-based economy, grow small business, and enhance Kentucky's competitive ability."

- Governor Ernie Fletcher, Kentucky

region's philanthropic organizations have not evidenced sustained commitment to work together and [to go beyond charity] to make long-term investments to promote equity." The report chastises the purely charitable approach to giving, "At its worst, this tradition of benevolence can waste precious resources by failing to address the causes of suffering. It can also cultivate passivity. ... For better or for worse, charity is a tradition resigned to the inevitability of social inequality." The Commission calls on philanthropic institutions to emphasize citizen leadership, seek business involvement, target asset-building measures and take the time to learn more about the public policies affecting their goals and projects. Frequently overlooked sources of philanthropic leadership are youth and "church mothers who, week in and week out, contribute \$50 to their church offering and who give annually to the scholarship funds..."

An example of foundations leveraging outside support is the Mountain Association for Community Economic Development (MACED) in Berea, Kentucky. The organization was founded in 1976 to provide technical assistance to community-based groups and soon expanded that role to include help for small, privately owned businesses. Over the past 22 years MACED has directly created more than 4200 jobs in the region. Today it has a portfolio of \$8 million in total assets under its management, with loans to, and equity in, more than 45 businesses. MACED currently gets 40 percent of its funds from national foundations. It also receives about a third of its revenues from earned income (interest on loans and consulting) and another 20 percent from federal grants for which it serves as a pass-through. Although MACED earns the majority of its revenues through investment income, it is not enough to support the "soft stuff" of community activism for social change. According to its president, Justin Maxson, "MACED-type groups need a core of ongoing support from philanthropic organizations."

A particularly good example of an individual philanthropist making a major difference in the rural South is Dr. Kathy Brittain White. Dr. White is a native of rural Arkansas who earned a substantial amount of money in Chicago and returned home to the South with the desire to "give something back." Dr. White donated \$2 million of her personal funds plus her extended contacts with Fortune 500 companies. Formally launched in 2003, Rural Sourcing Incorporated (RSI) seeks to redirect some overseas out-sourcing back into America by locating

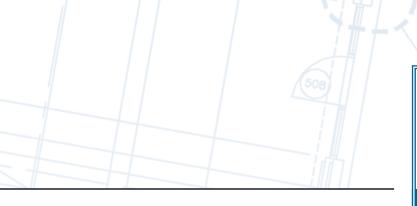
information technology (IT) centers in rural communities in close proximity to universities with strong IT and computer science programs. The business plan is based on offering companies high quality and high security along with low costs. The initiative is also designed to allow new college graduates interested in IT employment to remain in the rural South.

Currently RSI has three university centers and 15 associate facilities. Ultimately, Dr. White plans to open 50 centers across the United States within five years. In each case, university presidents, IT faculty, business executives and local economic development officials work together (often meeting for the first time) to provide advisory support and services for the center. Partner universities provide facilities, faculty release time and administrative support. One of the centers, in North Carolina, is forming relationships with a community college and technology incubator to offer IT training, support and contract work in especially remote areas.

Rural people who left and did well financially can do even more by acting together. In 2001, successful county alumni (e.g., former Virginia Governor Gerald L. Baliles) and local leaders established the Patrick County Education Fund to raise educational attainment levels from one of the lowest in the state to among the top five. It did so by reaching out on a scope and scale that could make a difference to high school age students, adults without diplomas and working adults. In its first three years, the share of high school seniors taking the SATs went from 34 percent to 65 percent. Enrollment in county GED programs grew by 40 percent, and GED graduates by 58 percent. GED graduates receive \$1,000 as an incentive to complete the program; the money can be applied to county taxes or to further education. The foundation has also sponsored a computer certification program.

Former residents such as Governor Baliles and Dr. White contribute more than money. They inspire communities to raise their expectations and connect to new ideas.

Even small donations by rural residents can add up to large investments. Average citizens in the poor, rural region around Cape Girardeau, Missouri, support more than a million dollars worth of scholarships for local community college students. Virtually all are for needbased scholarships.<sup>16</sup>



Philanthropic organizations and individuals can play a stronger role in promoting regional and interdisciplinary collaboration. New foundations, regardless of size, do not have to reinvent the wheel. The Southeastern Council of Foundations is an Atlanta-based membership organization for community, regional and national foundations; its chief mission is to help foundation leaders learn from each other and encourage networking among foundations.<sup>17</sup> The Ford Foundation, the W. K. Kellogg Foundation and other major national philanthropies invest millions of dollars in the rural South each year. Those efforts are supplemented by the efforts of regional, state and community foundations such as the Winthrop Rockefeller Foundation, the Foundation for the Mid South, and the Z. Smith Reynolds Foundation.

#### **Encourage agencies to collaborate**

As challenges become more complex and as the unit for effective action grows larger, a growing number of public officials realize they cannot fulfill their mission operating within their own program "silo." Innovative public officials seek partners. Among the critical success factors are widespread understanding of the value of collaboration, a willingness to forget past rivalries, and rigorous measurement of outcomes. In many cases, the collaboration remains informal, aimed at reducing costs and achieving better results.

For example, in one North Carolina rural community a variety of social service organizations gather every week to serve their most at-risk client group – out-of-school youth under 22 years old and without a high school degree. The Mt. Airy City School System acts as the coordinator, weaving the threads of state and local support programs into a safety net for these troubled young people. The collaboration enabled them to take advantage of a serendipitous turn of events – nearby Surry Community College received a grant to help at-risk students stay in college. The two initiatives merged into an integrated initiative. From the students' perspective everything is seamless, but for the agencies, their individual fiduciary responsibilities and control remain intact. Those students who earn their GED or return and complete a high school degree can enter college on a full scholarship, thanks to the youth funds from the Workforce Investment Act. A job coach (funded by grant money but on the Mt. Airy City School System staff) meets with each student every week and reports back at weekly interagency staff meetings.



#### The Southwest Alabama Pulp and Paper Industrial Alliance

The Southwest Alabama Pulp and Paper Industrial Alliance produces "home grown" talent by providing rural college students with company-sponsored scholarships. Training local residents helps with employee retention. Scholarship recipients receive enough funding to cover tuition, books, supplies, and partial living expenses; the companies also provide students with paid internships. The initiative is a collaborative effort among Alabama Southern Community College, Auburn University, the Alabama Technology Network (ATN) and the American Forest and Paper Association. Alabama Southern Community College has also received a grant from the National Science Foundation to establish the National Center for Pulp and Paper Technology and lead development of a national network for Pulp and Paper Technology training. The Center will provide the United States' pulp and paper sector with a technologically advanced workforce to ensure the industry's global competitiveness.

Visit the Southern Growth Idea Bank at www.southern.org for more program profiles and best practices.

South Carolina Educational Television (SCETV) is another example of a public service institution that is pushing the envelope. The mission of SCETV is to enhance educational opportunities for all the citizens of the state. With this in mind, the station established the TECH TEAM program to cultivate an enthusiasm for science and technology among rural middle school girls. The aim is to compensate for the isolation of small town life that makes girls less likely to see first-hand women role models in the science and technology professions. SCETV attracted a three-year grant by the National Science Foundation to fund the initiative. The grant enables TECH TEAM to provide after-school technology clubs, workshops in computer applications, access to rural women role models, and summer technology camps. Partners include the Girl Scouts and the College of Education at the University of South Carolina, which TECH TEAM trains as club facilitators. TECH TEAM currently involves 45 girls from three rural "critical needs" school districts. Although the partners make significant in-kind contributions to the program, the only cash support is from the federal grant and the resources of the station.

#### Build and maintain trust among partners

Forethought needs to be given to how to keep alliances together. Management guru Tom Peters is a passionate

"My administration's goal is to create an aligned, demand-driven public workforce training system that sustains, develops, and grows new jobs for Mississippi rural workers. The most important aspect of this mission, however, is ensuring that these adults have the appropriate education and training necessary to successfully function in the labor force. I know the South has tremendous potential to position itself in the ever-changing global economy, and having a skilled workforce that is able to adapt to market demands will bring more and better jobs to our region."

- Governor Haley Barbour, Mississippi

believer in partnerships. He says that all great partnerships have trust and reciprocity as organizing principles. Reciprocity helps to build trust, because it means that all partners are at risk and all will benefit if the partnership is successful. Is It is not that alliances should be unchangeable, but the realities of life mean frictions will occur and will challenge the sense of trust.

In the case of Missouri's Area Higher Education Center (AHEC) initiative (See Southern Idea Bank p. 25), one of the partners threatened to pull out after statewide budget cuts to higher education forced the university to negotiate new deals with the four remote learning centers.

Mississippi's MidSouth Partnership for Rural Community Colleges has taken deliberate measures to avoid friction between what could otherwise be competitive academic institutions. The MidSouth Partnership is an alliance among several universities and community colleges that have built a masters and Ph.D. degree program for rural community college administrators. As one of the founders recently put it, "A quick way to kill collaboration is to cede to institution branding. Keep ownership grounded in community colleges." The Partnership therefore remains virtual, with different institutions responsible for research, course offerings, and management of federal grants.

#### Provide seed funding for collaboration

Private entrepreneurs typically need risk capital to get started, and the same is true for innovators in the public sector. Private capital markets are rarely appropriate for this kind of initiative, so public-based risk capital is needed.

In reviewing how the initiatives in this analysis have financed their efforts, the critical importance of federal funding becomes obvious. In fact, the majority of these initiatives have received some form of federal funding. Among the federal agencies providing funds for these initiatives are:

- Workforce Investment Act (USDOL)
- U.S. Economic Development Administration (USDOC)
- Technology Opportunity Program (USDOC)
- Appalachian Regional Commission (ARC)
- Fund for the Future of Postsecondary Education (USDoEd)

- Community Services Division (HHS)
- Health Resources and Services Administration (HHS)
- Rural Business Opportunity Grant program (USDA)
- Institute for Research on Poverty Small Grants Program (USDA)
- Experimental Program to Stimulate Competitive Research (NSF – EPSCoR)
- National Institute for Standards and Technology (NIST)
- National Science Foundation (NSF)

In many cases, the federal funding spurred basic research that led to pilot projects funded by other means. Federal funding also played an important role as leverage in building up a portfolio of mixed funding sources.

A federal grant program supported virtually all of the Louisiana Rural Internet Connection (LaRINC), a program of Grambling State University designed to improve life outcomes for low-income rural African Americans using churches as the initial point of contact for Internet education and services. The federal program supporting LaRINC has been eliminated, but Grambling State University is committed to providing ongoing technical support to the 50 low-income black families that were involved in the project. University officials are searching for new grant funds to take the program to the next level - creating business income over the Internet. As LaRINC's project director, Margaret Lowery put it, "The families still need a lot of help, like how to do a business plan. The area is so rural we had to use satellite services. These areas don't have the population [density] for companies to invest in broadband, and people have very little income. They make rocking chairs and beautiful wood things. They could sell them on the Web."20

The leaders of these initiatives do not view the federal government as a permanent cash cow. Many consider federal grants too vulnerable to the vagaries of budget cuts to rely on for the long haul. Some say they need a baseline level of federal funding, but that they want to keep that to a minimum.<sup>21</sup>

Some states behave creatively by investing in third party organizations. For example, North Carolina, Georgia and Virginia created entities charged with putting a portion of the tobacco settlement funds towards rural economic development.

"Our rural communities face diverse challenges and must build on unique strengths in order to prosper in today's economy. North Carolina is committed to working with public and private sector partners to create jobs rooted in regional advantages – from tourism and traditional artisan crafts in the mountain west to our military facilities in the east."

- Governor Mike Easley, North Carolina

The North Carolina Rural Economic Development Center is another example of state funding for program innovation. Funded by the N.C. General Assembly in 1987 to help all the state's rural communities develop more prosperous economies, the Rural Center recently created an Institute for Rural Entrepreneurship. Its mission is to help refocus rural economic development on what is growing – small businesses – and less on what is shrinking – the traditional manufacturing branch plant economy.

State funding also stands behind the Oklahoma Center for the Advancement of Science and Technology (OCAST) and its new program, the R&D Faculty and Student Intern Partnerships (FSIP) initiative. FSIP is designed to build research capacity outside of the major research universities and to create rural businesses that can retain skilled youth. It offers up to \$60,000 for interns to work two years on R&D projects with potential for short-term commercialization. Project grants are awarded competitively and range from studies of cool season grasses to the use of carotenoids found in watermelons. Project hosts are required to match FSIP funding by at least one-to-one in hard cash, but according to FSIP director Arnulf Hagen, "The companies contribute so much more than the match." The project also benefits from the good will of the four community colleges and three rural state colleges participating in the program. So far, a total of 68 rural firms and farms have benefited from the FSIP program, leading to a direct financial impact on businesses of \$24 million in FY 2004.

#### Reinvent economic development funding

In trying to understand how this set of innovative initiatives have been financed, what Southern Growth found was a pattern of creative blending of traditional funds with new. Everything was highly situational – the assets, the goals, the politics and the culture.

The stories of these initiatives demonstrate the complexity of financing rural prosperity in today's environment. The complexity underscores the need for building trust and collaboration across traditional boundaries.

Federal funding options are shrinking, with more cuts in the wings. At least three of the 2005 Innovators would not exist but for a grant from the U.S. Department of Commerce Technology Opportunities Program (TOP). Thomas Rowley, a Senior Fellow with the Rural Policy Research Institute (RUPRI), fears that the proposed block grant approach to federal economic development funds may actually cut community and regional development by 45 percent.<sup>22</sup> Good or bad, whether the budget cuts continue or not, there is no small urgency for states to find creative financing for rural economic development. The initiatives reviewed here proved that, under the right circumstances, the public will support local tax increases for specific, well-defined projects.

In Missouri's AHEC initiative, one of the participating towns, Sikeston, raised \$3.5 million for the project through a temporary half-cent sales tax increase. The community liked the results so much, it voted for an extension of the tax to raise \$1.2 million to expand teaching facilities.

Similarly Arkansas' Cross County passed by popular vote a "sunset" sales tax of one percent for three years. The proceeds were dedicated to supporting countywide development. The community created the Cross County Economic Development Corporation to oversee the \$4.5 million eventually raised by the tax. The funds were used to support many local projects but, more than that, the initiative started people talking and thinking in different ways. The 30-member Development Corporation decided it should serve the wider economic region, a move that led to the creation of a nine-county Crossroads Coalition. As one member of the Development Corporation put it, "It's interesting to see what can happen when a community or organization with vision sets out on a united front to do something good." He added, "The key to success of this program is that we did exactly what we said we'd do. We told the people if they voted for the tax we would use the money for the hospital, the fire department, and for proposals such as the Delta Technology Center, and that is what we have done."23

New opportunities are in fact arising, such as the W.K. Kellogg Foundation's new rural entrepreneurship initiative and the hundreds of need-based college scholarships supported by the Bill and Melinda Gates Foundation. In the latter case, rural communities that are focusing on college-readiness will be in a better position to take advantage of the scholarships. In considering how to pay for rural change, it is important to "...skate to where the puck's going to be."

# FORM FOLLOWS FUNCTION

#### **RECOMMENDATION TWO:**

Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

In Mobile, Alabama, the Chamber of Commerce sees the region as the building block for global competitiveness. The Chamber played a key role in creating the Gulf Coast Regional Chamber Coalition in 1999, a forum for member chambers located in Louisiana, Mississippi, Alabama, and Florida to discuss and develop solutions to common challenges. The Coalition has identified six focus areas carrying the most strategic benefit for the region: transportation, international trade, military affairs, technology transfer and higher education, regional marketing and the environment. The Mobile Chamber has also fostered a partnership with the Alabama Development Office, the Northwest Florida Trade Council, the U.S. Department of Commerce and many other agencies to coordinate special events and education programs related to international trade, while also serving as the global intermediary to 3500 businesses in Alabama, Florida, and Mississippi through its quarterly newsletter, The Globe.

In Southwest Georgia, the Regional Partners Network (RPN) identifies opportunities for resource sharing and collaboration in a 14-county area. Its mission is to become a statewide leader in regional networking to improve the economic lives of the region's people. RPN acts as an umbrella for committees focused on literacy, workforce development, regional transportation, housing, and arts, culture and tourism.

In Eastern Arkansas, the Crossroads Coalition is a newly-launched umbrella organization to enhance broad-based economic, community, educational and leadership development in a nine-county area. While still in the start-up phase, the Coalition's organizers see it as a new model for economic development in Arkansas, one that "uses an inclusive business model without internal political boundaries such as city or county lines." The Coalition is designed around three core entities: 1) a foundation to provide financial support; 2) development groups, organized by functional area, to identify and prioritize

development projects; and 3) The Technology Center for the Delta, to provide physical and administrative infrastructure for the Coalition.

The idea of formal collaboration across jurisdictional lines is certainly not new. In the South, as early as 1935 the Alabama legislature passed laws that encouraged the creation of regional planning districts.<sup>24</sup> But, as illustrated in the examples above, the concept has evolved over time as communities have seen the benefits of regional collaboration to address many different challenges.

#### THE ORIGINS OF REGIONAL ACTION

The Federal government has played a key role in promoting regional collaboration both among states as well as localities. At the multi-state level, Congress created three Federal-State Regional Commissions to assist some of the most economically distressed regions in the nation. Two federal commissions involve parts of the South – Appalachia and the Delta.

The Appalachian Regional Commission (ARC), the oldest Federal-State commission, has been investing in its region for about 40 years, helping to reduce poverty rates by almost two-thirds during that time. ARC counties have grown faster and raised per capita income 34 percent more than other counties with similar demographics. Furthermore, 132 ARC counties have risen above the economic distress level.<sup>25</sup>

The Delta Regional Authority (DRA) is in its fourth year of operations. In the first three years, it awarded more than \$37 million in grants to leverage \$263 million in additional investments. DRA foresees more than 19,000 new or retained jobs as a result of its investments to date. Funding priorities include public infrastructure for distressed areas, economic development-related transportation infrastructure, entrepreneurship and workforce development.

# RECOMMENDATION TWO

Design and manage economic development along the lines of economic regions, without regard to traditional political boundaries.

Federal legislation requires both ARC and DRA to coordinate regional economic growth initiatives through local governments and boost the capacity of sub-state regional planning districts. The organizations fulfill this obligation by funding and implementing most of their initiatives through regional planning and development districts (RPDs.)<sup>26</sup> The federal Public Works and Economic Development Act first established the planning and development district concept in 1965. While their roles and governing structures have evolved, RPDs still implement several federal programs, including those of ARC, DRA, and the U.S. Economic Development Administration. In addition to program administration, RPDs often act as advisory boards on regional planning projects. RPDs also contract with local governments to provide technical assistance in areas such as water and sewer, Geographic Information Systems (GIS) services, etc.

## BARRIERS TO REGIONAL COLLABORATION

Despite the promise of regional collaboration, a number of barriers limit activity, including:

#### Long-standing rivalries

Friday night football rivalries were among the most frequently cited barriers to regionalism that were mentioned during Southern Growth's listening process. It is also difficult for many communities to see neighboring communities as potential collaborators when they have historically viewed them as competitors in areas such as industrial recruitment.

#### The fear of losing identity

Fears of annexation or school consolidation often create or amplify city-county conflicts. Smaller communities also fear that their identity will be lost if they collaborate with larger communities.

#### Lack of a mechanism to share costs and revenues

Many potential collaborations break down over issues related to money. Without a mechanism to share costs, many communities are unable to afford projects of any significant magnitude. On the other side of the coin, without a mechanism to share revenues, the county in which a project is located typically receives all property and sales tax revenues, providing little incentive for other communities to collaborate.

#### Differing regional definitions

States define regions for many different purposes. There are regions for mental health services and yet others for environmental management, for example. The differing boundaries can create confusion.

#### POTENTIAL ACTIONS

#### Seed regional efforts

The Hampton Roads Partnership, a public-private partnership bringing together government, business, education, civic, and military leaders in a six county region, is one of 19 regional partnerships that Virginia provided with incentive funds to stimulate regional economic activity. Under the provisions of the Regional Competitiveness Act of 1996, three or more neighboring counties, cities, or towns, could unite to form a planning district and develop a five-year strategic plan. Although state funding for the partnerships ended in 2003, many efforts continue to be quite active. Among the outgrowths of the Hampton Roads Partnership have been the Hampton Roads Technology Council, whose goal is to support the start-up and expansion of technology-based firms in the region, and a "Smart Region" initiative to promote e-government, electronic commerce and technology-based learning. Funding from participating localities as well as member businesses and educational institutions now supports the Partnership.

"I am a strong supporter of Missouri agriculture. I am committed to doing everything I can to help our family farmers and agricultural industries become national leaders in areas like ethanol production and life-sciences research and development. I am also committed to ensuring that my administration speaks with one voice on issues related to agriculture so that our agriculture entrepreneurs are not burdened by unnecessary regulation or a bureaucracy that hinders their efforts to grow our state's economy by creating good, family-supporting jobs."

- Governor Matt Blunt, Missouri

#### Identify regionalism as a key to success

Tennessee's Three-Star Program for Economic Competitiveness is designed to provide communities with a "road map" to successful economic development. Revamped in 2004 to address the needs and challenges of the changing economy, the program includes a number of incentives for regional cooperation. After meeting prerequisites, communities can select from a wide menu of economic development strategies to earn the points needed to become a Three-Star community.

Among the visionary strategies for which communities can earn points are participation in metropolitan government or regional partnerships. A tiered certification system rewards communities with higher levels of points with bonuses such as more funding under certain grant programs and extra points in competitive application reviews. While Arkansas' Communities of Excellence (ACE) program does not provide financial incentives for regional action, it does encourage communities with limited population or resources to band together to receive ACE certification as an "area partnership."

#### Deliver economic development services regionally

In 1994 the North Carolina General Assembly carved the state into seven Regional Partnerships for Economic Development (RPEDs). The RPEDs operate with a mix of public and private funding. State funding is allocated among the RPEDs on the basis of a formula that takes into account the region's level of economic distress and the RPED's past performance. The average state allocation is close to a million dollars per RPED.<sup>27</sup> Many see North Carolina's RPEDs as a better way to build a region, basing strategies on each one's unique assets and needs. Some chafe at the state funding formula, however, saying that it rewards quick results rather than long-term capacity building (e.g., recruitment more than small business development).<sup>28</sup>

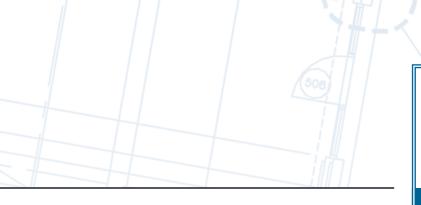
In 1998, the Georgia General Assembly created 12 Regional Advisory Councils (RACs) to coordinate strategic economic development planning, promote

regional partnerships, and advise state agencies with respect to community and economic development needs and priorities. Each RAC has a 21-member state-appointed board, composed of members from both the public and private sectors. The RACs work with the Georgia Department of Community Affairs (DCA) and the Georgia Department of Economic Development (DED) to assess and pursue opportunities for collaboration within and across regions. Each region has dedicated field staff from DCA and DED. In nine of the 12 regions, agency staff also work alongside personnel from the Georgia Institute of Technology's Economic Development Institute and the University of Georgia's Business Outreach Services.

#### Provide grant funding on a regional basis

Using coal severance tax receipts, Kentucky's General Assembly created the Local Government Economic Development Fund in 1992 to promote economic development in Kentucky's coal-producing counties. The fund is divided into two pools: two-thirds of the funding is set-aside for individual counties, while the other third provides funding for multi-county projects. The Department of Regional Development, part of Kentucky's Economic Development Cabinet, administers the multi-county portion of this fund. The focus has been on developing regional business and industrial parks. Non-coal counties may be eligible for participation if at least two coal counties are involved in the partnership.

The Oklahoma Department of Commerce recently launched the Regional Economic Development Project, a demonstration project that made grants to five rural regions totaling almost \$300,000. Although it is a demonstration, the state anticipates turning it immediately into a regular budget item at about three times the original level. The demonstration projects reflect a mix of regional priorities, including help with recruitment, strategic planning, and setting up a regional framework for collaboration.



In the request for proposals, applicants were told, "Regional partnerships based on regional economies, natural resources, and industry clusters should be the norm for Oklahoma, not the exception. To be successful, economic development programming should be consistent and stable at all levels - state, region and local... The first step is to encourage the development of strong regional programs which will in turn strengthen local programs." Eligible applicants included economic development organizations, units of local government, chambers of commerce, vocational and technical schools, colleges and universities, councils of government, and any other appropriate organization focused on rural development. Only one organization could apply on behalf of the collaborative effort. The Regional Economic Development Project complements another of the state's efforts to regionalize economic development – the Rural Action Partnership Program whereby each of the state's 12 Workforce Investment Act regions form a Business Service Team to provide technical assistance and a central point of access. Some of the Teams involve both urban and rural counties working together.

Georgia's tobacco indemnity fund provides another example of encouraging regional activity through grant funding. Funded by one-third of the state's tobacco settlement award, OneGeorgia is a state authority whose mission is to serve as a catalyst for rural economic development. The fund plans to disburse roughly \$1.6 billion over the next 25 years toward rural economic development activities. In making program changes in January 2005, the Authority spoke to the importance of regional activity:

In order for Georgia to compete in a global economy, we can no longer afford to frame our economic development decisions solely on city or county borders. We must cooperate regionally by building partnership "bridges," supporting multi-county economic development projects that will translate into more jobs and new private investment in rural Georgia.<sup>29</sup>



#### The Public Library Technology Certificate Program

West Virginia faces a shortage in skilled librarians. Non-certified personnel direct almost 40 percent of the public libraries, and a large majority of library employees are nearing retirement. In order to provide the kind of library services communities need — increasingly computer-based — Marshall Community & Technical College, Marshall University Libraries and the West Virginia Library Commission joined forces to create the Public Library Technology (PLT) Certificate program. The 33-credit hour certificate program provides professional development for current and future public library employees. Because the certificate program is delivered completely online, the library-training program is accessible to rural students and eliminates the financial and geographic barriers of continuing their education. The PLT graduates can continue towards an associate's or bachelor's degree, which makes them eligible for promotion within their library.

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A major change was to recognize non-rural counties as "conditionally eligible" for assistance where they are part of a regional application that includes at least one directly eligible rural county. One of the Authority's competitive grant programs, known as the Equity program, also includes several provisions to promote regional activity: regional projects are eligible to receive 100 bonus points out of a total of 540 possible points, regional competitiveness is considered as a factor in assessing project impact, and the score from the highest scoring county in a regional application is considering when looking at demographic needs. In addition, regional projects are eligible to receive larger grant amounts: \$500,000 for a project involving three or more counties, versus \$200,000 for a project from a single county.

#### Provide incentives for regional collaboration

The Arkansas Consolidated Incentive Act of 2003, which combines six previously existing economic development



#### The Tennessee Valley Corridor

In 1995, community, business, education and government leaders in North Alabama, East Tennessee, and Southwest Virginia joined forces to form the Tennessee Valley Corridor (TV Corridor). Touting nationally recognized resources like NASA's Marshall Space Flight Center and the U.S. Department of Energy's Oak Ridge National Laboratory, the TV Corridor is aimed at leveraging the region's research and technology assets to maximize economic development. TV Corridor accomplishes its goal through two annual regional economic summits and strategic partnerships between member organizations. One notable accomplishment was facilitating an alliance between NASA's Marshall Space Flight Center, the U.S. Air Force Arnold Engineering Development Center, and Oak Ridge National Laboratory. It has also funded industrial infrastructure projects throughout the Corridor and launched regional initiatives focused on clean transportation and many other projects.

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incentives into one package, also promotes a regional approach to economic development. Benefits under the Act are awarded based on county economic prosperity, with the least prosperous tier of counties in the state being eligible for a higher level of incentives. Counties that work together through a formal compact are eligible to receive benefits based on the most impoverished county within the compact, providing an incentive for prosperous counties to join together with their less prosperous neighbors. Counties within a compact share in the revenues that result from new locations or expansions. Four or more contiguous counties are required in order to form an eligible compact.

#### **Encourage regional planning**

Tennessee's Growth Policy Act of 1998 has been nationally praised for encouraging regional collaboration and addressing growth management issues. Designed to "prevent annexation or incorporation out of fear" and

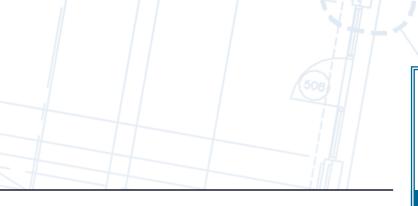
encourage orderly and efficient growth, the Act mandates that each county and its communities develop a 20-year growth plan designating areas of future potential annexation and areas of preservation.<sup>30</sup>

In Virginia, the Regional Cooperation Act of 1995 updated the Area Development Act of 1968, placing more emphasis on regional planning. Although the 1968 Act had established regional Planning District Commissions (PDCs), the observation was made that, over time, the PDCs had "developed an increasingly local orientation, with considerably less emphasis than was originally intended on regional planning and the comprehensive analysis of regional needs." Among the key changes made in 1995 were the substitution of a regional strategic plan for the existing comprehensive plan requirement, an annual reporting requirement to the Department of Housing and Community Development (DHCD), and increased financial and technical assistance from DHCD.

#### Examine regulatory impacts on regionalism

State policies related to interlocal service agreements, city-county consolidations, and annexation all have an impact on regional activity. The Kentucky General Assembly created the Task Force on Inter-County Cooperation in 2003 with a view towards looking specifically at incentives and barriers to interlocal service agreements. Among the Task Force's recommendations were that agencies such as the Department of Local Government promote the use of interlocal agreements in their training and literature, a publication be developed for local governments to use when forming interlocal agreements, the review process for interlocal agreements be streamlined, and that the state establish financial incentives to encourage interlocal agreements that would lead to financial savings and enhanced services.

In many states, policies on growth and annexation encourage city incorporation versus regional collaboration in even the smallest communities. North Carolina is



one of the few states that limit the incorporation of new municipalities in proximity to an existing municipality.<sup>32</sup> City incorporation requires legislative approval and in the past the North Carolina General Assembly has granted such approval sparingly.

#### Address financial issues

Providing mechanisms for communities to share directly in the financial costs and benefits of joint activities can help remove barriers to collaboration. This was an issue for five rural counties in North Carolina who were interested in developing a multi-county regional technology center. In 2003, the North Carolina General Assembly paved the way by passing enabling legislation to specifically authorize cost and revenue sharing on joint development projects. The counties recently moved forward to create a new private nonprofit that will own, develop, market and manage the planned technology park, known as the Kerr-Tar Hub. Counties will share proportionately in both the costs and revenues of the park. The National Association of Development Organizations awarded a 2004 Innovation Award to the initiative for its business development plan.

#### Use the private sector to champion regionalism

The Alliance for Regional Stewardship recognizes the role of the private sector in promoting holistic, regional action. The Alliance calls these corporate organizations Regional Business Civic Organizations (RBCOs), which appear in forms as varied as regional chambers of commerce, boards of trade, councils of business executives, and individual corporations. Businesses, says the Alliance, increasingly recognize:

...the need to cross boundaries of jurisdiction, sector, and discipline to address complex regional issues. They see the linkages among economic competitiveness, education, equity, and environmental quality. They are part of the critical nexus of organizations and institutions working to create opportunities for their regions.<sup>33</sup>



## Southeast Missouri State University School of Polytechnic Studies

Southeastern Missouri has the state's lowest educational levels and highest percentage of poverty. Southeast Missouri State University ("Southeast"), located in Cape Girardeau, is the only four-year college serving that quadrant of the state. In the late 1990s, when the state provided funds for public university "mission enhancement," Southeast decided to use part of its new funds to build a School of Polytechnic Studies. Today Southeast has more than 500 students majoring in polytechnic studies, including advanced manufacturing technology. The post-graduation placement rate is 100 percent, with students taking jobs starting at about \$45,000. Many remain in the region.

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An example of an effective RBCO is the Birmingham Regional Chamber of Commerce. The Chamber is a key leader in a partnership that, among other activities, focuses on the disparity of central city/suburban/rural economic opportunity. One outgrowth of the collaboration is the creation of the Housing Enterprise of Central Alabama, founded in 2003 to achieve affordable housing objectives. The initiative, capitalized with \$64 million from four Birmingham banks, established a homeownership outreach center, rehabilitated owner-occupied homes in a distressed neighborhood, built 470 affordable houses, and provided financing and technical development assistance for a 40-unit rental complex for individuals in transitional housing.

## WHAT THE EXPERTS SAY

...in an ideal world, we would have the time and resources for an ideal approach that would make our politicians and academicians happy while helping communities to transform...but we don't live in an ideal world; we live in a real world with many desperate communities.<sup>34</sup>

- Karl Stauber, Northwest Area Foundation

For decades, studies have documented the challenges facing the rural South and underscored the kinds of frustrations evident in the above quote. However, hope is rising in the form of an emerging consensus on what is required for good and lasting change: communities must act to develop function-specific regions that create a competitive niche in the global marketplace.

A review of recent reports on rural economic development reveals six dominant trends in rural economic work:

- Regional strategies and management structures;
- Innovation-based strategies;
- Entrepreneurial focus;
- Inclusive, grass-roots involvement;
- The infrastructure of technology;
- Maximizing the impact of industry clusters.

#### **Regional Strategies**

The recommendation of regional strategies is nearly ubiquitous in recent literature. In 2002, a conference by the Center for the Study of Rural America, part of the Federal Reserve Bank of Kansas City, shifted the rural economic development debate towards regionalism. Center Director Mark Drabenstott said, "Rural policy should encourage more regional partnering among rural firms, communities, and governments." 35

The Center's 2004 Annual Report, which reviewed its five-year history, said, "Regions are becoming an essential unit in the rebuilding (of rural areas), as a critical mass of

ideas, capital, technology and skills now seems essential to new growth..."

In A New Map for Rural America's New Economic Frontier, Drabenstott wrote, "Probably no single strategy has become more important to rural regions than thinking and acting regionally. Economic strategies are becoming more regional in scope as the realization deepens that regions are where the impacts of globalization are felt. Economists refer to this as the new economic geography, but the evidence is widely seen in budding efforts to think regionally." <sup>36</sup>

Charles Fluharty, director of the Rural Policy Research Institute (RUPRI), argues for "regional competitive strategies" as the basis for addressing the changing rural economy. Professor Michael Porter, competitiveness guru from Harvard Business School, acknowledges "new institutions for collaboration" as one of the main strands of current rural economic thought. Joe Sumners and Larry Lee, in *Crossroads and Connections: Strategies for Rural Alabama*, say the state should, "Implement a regional economic and community development strategy and program." They also "...urge that regional philosophies and strategies be adopted for Alabama to fulfill its economic potential."

Andrew Isserman, a professor from the University of Illinois, argues that historically, the nation has viewed rural America as "residual" – what is left over once the cities are counted, which always had a somewhat destructive connotation. Isserman suggests that rural regions be "self-defined regions," built for pragmatic objectives, either permanent or temporary. Economic regions might define themselves on the basis of their common economies. Natural resource regions develop along common resources. Isserman even suggests a farm payment region. He says that function and utility should define the regional structures, not political boundaries.<sup>40</sup>



#### Innovation

Southern Growth defines innovation as the application of technology to products, processes, or services in the pursuit of profits. Robert Atkinson of the Progressive Policy Institute adheres to this definition when he recommends that government "...support research and development for rural-focused technologies." Examples of such investments include the wind-energy industry and genetically modified agricultural products. Lee Munnich's report for the Economic Development Administration, *Rural Knowledge Clusters: The Challenge of Rural Economic Prosperity*, refers to this type of strategy when it recommends, "...developing strategies for promoting innovation around rural knowledge clusters." Munnich later recommends activities such as technical assistance and technology transfer.

Other researchers mean something broader and more encompassing when they talk about innovation as a rural strategy. They mean change not just in products, but also throughout the community, in government, education – everywhere. A RUPRI report says "Innovation is all around us." In a section on what works in rural development, Karl Stauber in *Why Invest in Rural America – And How?* <sup>43</sup> says "Nations, communities, and firms that prosper invest in creating new competitive advantage rather than protecting old advantages."

Jesse White, Director of the Office of Business Development at the University of North Carolina-Chapel Hill (and former Executive Director of Southern Growth Policies Board) in his article *Economic Development in North Carolina: Moving toward Innovation*, recommends innovation in economic development approaches, saying, "It is a paradox that most explicit economic development funding goes to the traditional approaches, especially industrial recruitment, even though the innovative practices and policies hold great promise for the future."

#### Jefferson Community and Technical College District and Sullivan University System Partnership

To provide rural residents and business with more educational resources, Kentucky's largest private university, Sullivan University, joined forces with the Jefferson Community and Technical College District. The partnership allows both institutions to provide education resources to a broader base of students. Many rural students wanted to pursue courses beyond what the local community college could offer but were forced to leave the area to do so. The partnership allows Sullivan University to offer baccalaureate and master level courses in Jefferson's five satellite campuses located in three counties, providing more education opportunities for those in rural areas. The partnership also benefits rural businesses because Sullivan University has the capacity to develop industry specific training programs, almost overnight.

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#### Entrepreneurship

RUPRI's Center for Rural Entrepreneurship, says, "Regional economies with thriving entrepreneurial communities are doing better than those with less entrepreneurial energy. A key, if not the key, to economic success in the first half of the 21st Century may be entrepreneurs." Sources as varied as the Congressional Research Service in its Agriculture Policy Briefing Books and the National Governors' Association advocate for strategies designed to form new businesses.

Methods for promoting entrepreneurship include providing seed capital, training, and online networks to connect entrepreneurs with critical information and financial resources. Some researchers would promote entrepreneurship in niche or high-value agricultural "Capital investment dollars flow more efficiently in the private sector than they do through the government. Ultimately creating jobs, whether it is in urban areas or rural areas, is about creating the right economic conditions for growth."

- Governor Mark Sanford, South Carolina

products, while others would focus outside the agriculture sector to broaden the rural industry mix.

Governor Mark Warner's VirginiaWorks initiative, a three-point plan addressing rural development suggests, "New business in rural Virginia should capitalize on the unique strengths and characteristics of these regions." To accomplish this, the state is spending nearly \$10 million dollars on tourism, artisan and advanced manufacturing projects in rural areas.

Entrepreneurship is popular for many reasons. Research shows a strong correlation between entrepreneurship and long-term employment growth.<sup>46</sup> Entrepreneurial programs are also relatively inexpensive compared to other strategies.

#### **Grassroots Strategies**

In his review of major rural research trends, Porter says "there has been increasing advocacy for a bottom-up, community-based planning and policy development process in rural areas." Community planning is also advocated by government officials at the USDA and the Economic Development Administration (EDA). Fluharty of RUPRI says that communities need to act as change agents and foster "new economic engines." Bo Beaulieu, director of the Southern Rural Development Center, in *Building Community in a Time of Policy Changes*, asks "Are citizens engaged in guiding the future of their community? If not, what can be done to involve local people, instructions, and organization in building their community of the future?"47

In the Fall 2001 issue of *Southern Perspectives*, Beaulieu writes: "Community development has always had a keen interest in promoting the involvement of people in addressing issues of importance to community well being. The so-called 'self help' approach to doing community development is designed to improve the capacity of local people to effectively address the challenges and opportunities that their communities face." <sup>48</sup>

Usually, these community planning recommendations build on strategic planning, with an emphasis on inclusion, leadership and asset-based assessment.

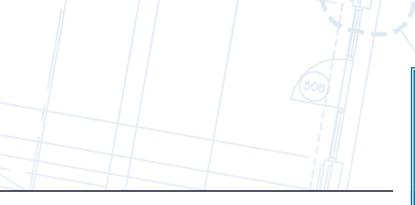
Not everyone is on the community strategy bandwagon. Atkinson says, "The mantra in rural development circles is that with the right leadership and programs, rural communities can solve their own problems...but, in addition, unless the overall economic environment is conducive to rural growth and the federal and state government provides resources, it will be difficult for even the most astute communities to do well."

#### **Technology Infrastructure**

Many experts believe that isolation and lack of scale – major problems for rural areas – can be overcome with telecommunications and information systems. Ecommerce, distance learning, and eHealth could address the commercial, educational and health issues so critical to rural development. But rural areas' lack of progress in telecommunications access is thwarting such opportunities.

Rural areas generally lag at least ten percent behind their urban counterparts in percentage of households with Internet access.<sup>50</sup> They lag urban areas by about 15 percent in broadband usage.<sup>51</sup>

The National Telecommunications and Information Administration stated in its publication, *Falling through the Net: Toward Digital Inclusion*, "Each year, being digitally connected becomes ever more critical to economic, educational and social advancement. Now that a large number of Americans regularly use the Internet to conduct daily activities, people who lack access to those tools are at a growing disadvantage. Therefore, raising the level of digital inclusion – by increasing the number of Americans using the technology tools of the digital age – is a vitally important national goal." <sup>52</sup>



Stauber reminds us that investments must be strategically positioned, calling for "...investment in infrastructure that supports the expansion of a new competitive advantage, not the protection of older competitive advantage."<sup>53</sup>

In Knowledge Management as an Economic Development Strategy, an EDA publication, Kenan Patrick Jarboe writes, "Many people see the Internet as a consumption tool – as a means of recreation, information gathering and shopping. Economic development practitioners know that the information technology infrastructure is also a production tool." <sup>54</sup>

Such investments can have real financial benefits. According to Jane Smith Patterson, Executive Director of the North Carolina Rural Internet Access Authority and one of the nation's leaders in state telecommunications policies, "A ten percent increase in broadband usage in a community results in an average of \$7,000 economic difference per household."

#### Clusters

Stuart Rosenfeld, Principal of Regional Technology Strategies (and former Director of the Southern Technology Council) is among those who advocate a cluster-focused rural economic development strategy. He writes, in *Networks and Clusters: The Yin and Yang of Rural Development*, "Whether called cluster councils, regional skills alliances, joint ventures, cooperatives, or simply networks, companies are associating more frequently and regularly. Networks will continue to be a force for rural development to the extent they raise the levels of competitiveness of rural employers and regions..."<sup>55</sup>

In *Innovative State Policy Options to Promote Rural Economic Development*, the National Governors' Association says, "Economically successful regions have clusters of interconnected businesses that collaborate.



## Career and Research Exploration for Students and Teachers (CREST)

The Career and Research Exploration for Students and Teachers (CREST) program is a partnership of the Mississippi Lignite Mining Company (MLMC) and Mississippi State University (MSU) to boost early career exposure to the geosciences. Funded through the National Science Foundation, CREST is a two-week science camp for students and teachers in surrounding school districts. The student and teacher "teams" are exposed to a wide variety of topics through discussions and workshops; each team also conducts experiments such as geological surveying, soil and water testing and outdoor exploration. In its two years of operation, more than 33 students and teachers have participated in the CREST program. The program has been so successful it is undergoing an expansion.

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States can support clusters by encouraging the development of industry networks that provide a channel for businesses to work together."56

Clustering has tangible economic benefits. Gibs and Bernat found that "workers in rural industry clusters earn about 13 percent more, on average, than other rural workers with the same education and experience." <sup>57</sup>

# LISTENING TO THE SOUTH

"This was awesome. People from all over Alabama discussing an issue and coming up with possible solutions. All communities should do this."

- Student participant in a Youth Forum at the University of Alabama

Like the student in Alabama, many Southerners were eager to discuss rural development issues facing their communities and states. A number of common themes were revealed as Southern Growth listened to the South. These included the need for:

- Strong, forward-thinking leadership;
- Strategies to make rural areas attractive to young people;
- Quality education;
- · Maintaining a distinctly rural character; and
- Strategic investments in infrastructure.

In all, more than 2200 people shared opinions and ideas that helped shape the 2005 Report on the Future of the South, including 1065 people who participated in forums in 51 communities, 283 who participated in focus groups in seven states and 876 who responded to Southern Growth's online survey.

A wide variety of perspectives were represented. Those who participated in the community forums, for example, ranged from students to seniors. A special effort was made to include the voices of young people. This included the convening of a youth forum in Tuscaloosa, Alabama, in partnership with the University of Alabama's Office of Student Affairs. At this gathering, more than 50 high school and college-age students gathered to hear from peers who had personal experiences living and/or working in rural areas, and share their perspectives on rural development. There was also a mix of genders and ethnicities at most gatherings around the region, with African Americans representing more than 20 percent of forum attendees. While approximately three-quarters of the forum attendees hailed from rural areas, as did more than 40 percent of the survey respondents, urban and suburban dwellers also added their perspectives.

It is clear that the forums held value for participants and their communities as well as for Southern Growth. "It is obvious that state and local leaders should strive to engage the 'average' tax-paying citizens of their community," said a moderator in Opp, Alabama, adding, "It is also obvious that most citizens in our community feel that they have absolutely no say in community affairs." As a forum moderator in Starkville, Mississippi observed, "I think community members need a safe, neutral place to voice their concerns and ideas, if not just for the therapeutic value of such sharing, but also for the good of the community....Such forums are key in transforming a community of thinkers into a community of doers." Similar feelings were expressed by a survey respondent, who offered the following advice to decision makers: "Stop telling people what they should do and listen to what they can and want to do. People in rural areas are smart and wise, just in different ways than you typically find in a large institution that is locked into its own way of approaching problem solving."

There was also some feeling that issue-oriented forums could provide a setting to begin to improve race relations in many communities. As a moderator in a Mississippi community observed, "It was quite interesting to see different ethnic groups come together on one accord and totally agree on the same issues." One African American participant stated that he could not believe that the white people in the forum shared the same beliefs on issues concerning Columbus, Mississippi. A number of participants around the South felt that racial issues needed to be addressed in order to make progress in rural areas. "Racism prevents progressive change," said at student at the youth forum in Alabama. "We need to address this issue first." Participants in a forum in Itta Bena, Mississippi likewise talked about the need for racial unity, while other Southerners pointed to the need to acknowledge and act upon the fact that many poor, rural communities in the region are largely minority.

"Every child should have a marketable skill. We need to do a much better job of educating our children about their career choices, ensuring that today's technology provides students with opportunities to develop these skills. There is no reason why students in our rural communities shouldn't have the same access to specialized class choices as students from larger metro areas. A child's geographic location, race or parent's income level should not predetermine their life's course and it's up to us to see that they don't."

- Governor Joe Manchin, West Virginia



"Planning and leadership are imperative if rural communities want to survive."

- Moderator of a forum in Gulfport/Orange Grove, MS

When asked about a range of possible actions that could be taken to create rural prosperity, Southern Growth's survey respondents identified "training leaders" as one of the top two strategies most likely to meet with success. Participants in forums across the region expressed concerns about leadership, including what a citizen in Yazoo City, Mississippi described as the "short sightedness of elected officials and some business leaders." "We need progressive leadership," added a participant in a forum involving members of the Georgia Electric Membership Corporation. "Do something even if it is wrong – don't just sit still."

One of the most important things that leaders can do is show people how they can benefit from change, said participants around the region. "The 'change stinks' mindset is a barrier to change," emphasized a forum participant in Georgia. The problem is that many leaders themselves don't support or even see a need for change, said others. As a forum participant in Carrollton, Alabama noted, "You can't fix something unless you know it's broken!"

Others saw a need for leaders with the skills to form new partnerships both within and outside their community. "We need to be careful [to] elect leaders who will commit to working together," emphasized a forum participant in Brownsville, Tennessee. Survey participants selected "leaders that collaborate with other communities" most often when asked to identify the most important reason why some rural areas do better than others.

Potential solutions that were suggested by survey, focus group, and forum participants included establishing training requirements for elected leaders, providing officials with concrete examples of successful rural development strategies, engaging more community residents in planning and decision making activities, and creating a state Office of Rural Issues with a help desk and staff for training rural leaders.

#### **Retaining and Attracting Youth**

"What happens to your best and brightest when you are in a rural area? We are doing them like the Bible says and sharpening them like arrows and then shooting them out into the world. They are moving to New York and California and Atlanta."

- Participant in a focus group in Selma, Alabama

"We've been selling our best heifers," said a participant in a focus group in North Carolina, referring to the exodus of young people from rural areas. A lack of job opportunities for educated young people is one of the biggest barriers to economic prosperity in rural areas of the South, agreed Southern Growth's survey respondents. Indeed, concerns about children in rural areas leaving for higher education or better jobs and never coming back were raised in nearly every community forum.

Participants in a forum in Clarke County, Georgia suggested advising students about ways they might constructively and successfully return to rural communities. Those in Robertsdale, Alabama thought that more emphasis on the development of entrepreneurship skills might in turn lead to more job opportunities for returning students. Participants in focus groups discussed a number of ideas for promoting entrepreneurship among young people, including the development of magnet high schools focused on entrepreneurship, and the addition of entrepreneurship and personal finance classes into the traditional middle and high school curriculum.

Creating jobs was a key concern, but Southerners also talked about other approaches to entice youth to return. "How we retain the best and the brightest in communities is an issue that extends beyond the argument of jobs,"

"Rural communities must think strategically and establish initiatives to capitalize on their strengths and overcome the obstacles to job creation. Tennessee's Three Star state certification program encourages rural communities to plan and develop economic preparedness initiatives. The process is set up so that communities receive credit for any number of programs, or resources that they may have in place to make them attractive to business. The certification recognizes that what works in one region may not fly in another, and it recognizes the diversity among our various rural communities, not only geographically, but demographically."

- Governor Phil Bredesen, Tennessee

emphasized participants in the Virginia focus group. "What do young singles want in our communities beyond employment?" A group in Brownsville, Tennessee talked about the need to look at quality of life issues. "How do we package our assets to these folks?" they asked. "Great quality of life means different things to different people. We need to look at what future generations want and need, not at what 'we' need." Participants in the youth forum in Alabama agreed that rural communities needed to pay more attention to developing constructive activities and outlets for teens in order for them to develop positive feelings about wanting to return to their communities.

There was also a good deal of talk – from Columbus, Mississippi to Waynesboro, Tennessee – about involving young people more in community decision making and leadership. "The leaders are all older. We need more young people getting involved," said a participant in Boonesville, Mississippi. Participants in Danville, Virginia likewise urged the community to "look at youth for fresh ideas." The Alabama focus group suggested establishing a program in middle schools to identify emerging and potential leaders, with a mentoring and leadership curriculum continuing into high school.

#### **Importance of Education**

"In the long term, the only real solution for sustainable improvement is tied inextricably to education."

- Respondent to Southern Growth's online survey

A participant in a focus group in Arkansas shared a story about an industry prospect that would have created 300 jobs in the community. Unfortunately, the company rejected the site due to the lack of an adequate pool of "training-ready" workers. "Many communities are being eliminated before even being considered," agreed a participant in the Virginia focus group, adding that "Infrastructure isn't the barrier for many rural communities, it's our workforce." Not surprisingly, respondents to Southern Growth's online survey were most likely to select improving education as their number one strategy for creating more rural prosperity.

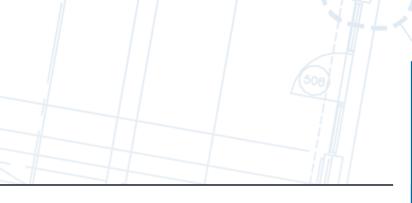
As a starting point, participants saw a need to change attitudes about the importance of education. "We have to

convince our citizens in the importance of education," said a participant in the Virginia focus group. "It used to be that you could work hard and make a lot of money in Southwest Virginia without a formal education," the participant explained, adding "Those times are long gone." Echoing this thought, a survey respondent from Georgia emphasized, "It is hard to improve a school system when you do not have willing participants who place a value on their education." Parents were seen as a critical link.

When undertaking an exercise related to spending priorities on rural development in their states, many focus group participants keyed in on education. A group in Alabama, for example, spoke to the critical importance of early childhood education in instilling the value of lifelong learning. Groups in Arkansas, Louisiana, and Mississippi proposed community learning centers in rural areas that would emphasize family development as well as entrepreneurial training and academics. Collaboration between school districts, community colleges, businesses, and civic organizations was seen as key.

Technology was seen both as a tool for improving education in rural areas and as a necessary skill for today's workers. A group in Alabama proposed providing a distance learning curriculum to enhance academics and skill development in under-achieving schools, while another group suggested boosting technology skills via specially equipped mobile buses.

While there was agreement on the need to focus on education, there was some disagreement as to whether to place the post-secondary emphasis on technical education or college. "We need to upgrade the 'value' of technical education," said a focus group participant in Louisiana, voicing an opinion shared by others across the region. "We need to focus more on associate degrees and technical education rather than bachelor's degrees." But, there appeared to be an equally strong commitment to promoting four-year college education for rural students, with focus groups in Alabama, Louisiana, and Mississippi proposing college scholarship funds aimed at residents in distressed rural areas. Some participants also emphasized the need for better cooperation and coordination between the various components of post-secondary education.



#### **Maintaining Rural Character**

"Many see the only opportunity for progress is in becoming just like non-rural areas. There's no originality in how we think about progressing."

- Participant in a forum in Somerset, Kentucky

"Regional identity is the best way for all rural communities to grow," said a participant in a forum in Bamberg, South Carolina. Indeed, forum participants showed strong support for regional collaboration as a means for rural progress, with over 90 percent saying that rural communities should band with their neighbors to develop a regional identity and should coordinate or consolidate services in order to achieve economies of scale. However, many expressed strong feelings about maintaining their unique, small community nature. "We falsely assume that rural areas want to mimic urban areas," cautioned a forum participant in Jackson, Mississippi. Southerners also feared that regionalism might mean losing their community schools. "If you can keep the school you can keep the community alive," said a participant in El Reno, Oklahoma, voicing an opinion that came up in several forums. There were particular concerns about school consolidation being a potential – and generally unwelcome - by-product of "regionalism." High school athletic rivalries were seen as a serious barrier to meaningful collaboration with neighboring communities, despite the potential benefits. Many saw state incentives for regional planning and collaboration as key to overcoming barriers.

Southerners talked about the need to identify and build on their community's assets, rather than pursue what a survey respondent described as "small towns trying to ape larger communities when it is entirely inappropriate." A participant in a regional focus group in North Carolina suggested that communities try to answer the question, "What are you doing better than anyone else in the world?" rather than pursuing the mistaken belief that they could all become biotech clusters.

One of the problems is that "we are still chasing smokestacks," said a forum participant in Minden, Louisiana. "We need to develop our focus on our natural assets." Several communities, including Bay Minnette,



#### Hampton Roads Partnership Square One Program

The Hampton Roads Partnership is a unique public-private organization comprised of 15 urban and two rural municipalities to support regional economic development activities in the Virginia Tidewater area. The partnership's Square One program is a comprehensive family-centered initiative to increase the percentage of children entering kindergarten "ready to learn." The Hampton Roads area has had a higher proportion of children living in poverty than Virginia as a whole. Square One unites community leaders, educators, human service program directors and parents to jointly develop and implement outreach efforts and establish performance benchmarks. In the first five years of Square One's existence, Hampton Roads' infant mortality rates declined 36 percent and the percentage of children ready for school increased by 23 percent

Visit the Southern Growth Idea Bank at www.southern.org for more program profiles and best practices.

Alabama and Owenton, Kentucky did not want to solicit large industries. Many communities talked about opportunities in tourism, from capitalizing on railroads in Clifton Forge, Virginia to lakefront property development in Alabama and Louisiana. Others suggested strengthening community assets that are often overlooked, such as linkages with institutions of higher education. Strategies that would bolster smaller businesses were also favored. "Most programs are geared towards attracting big companies," said a focus group participant in Louisiana. "We're missing opportunities to expand smaller companies, even though they, as a whole, create more jobs."

Participants at a regional focus group held in North Carolina talked about the need to promote specialty and niche markets in all industries, including agriculture. A number of participants agreed that communities should pursue strategies aimed at rural areas' historical strengths in agriculture. Participants in a forum in Tillery, North Carolina, for example, were distressed that there was "no system to support the transition of farmers from past agricultural products to new products." A participant in Huntsville, Tennessee made a similar comment, noting,

While many of our communities have benefitted from the traditional incentive-based approach to economic development, others have continued to struggle. With our Virginia Works initiative, we aimed to expand the tools available to these areas, allowing them to grow in new directions. By building on their existing assets, rural communities can both encourage entrepreneurship and strengthen and diversify their economic bases.

- Governor Mark Warner, Virginia

"Agricultural development and growth is not seen as a part of rural development by those who work in rural development." On the other hand, others felt that entirely too much emphasis was placed on agriculture, with a focus group participant in North Carolina noting that if you looked up "rural development" on the Internet, almost everything was about agriculture. "We spend far too much money on fine-tuning agricultural development," he said. Others pointed out that policymaking for rural development is almost always in a department of agriculture, despite the fact that agriculture no longer dominates most rural economies.

Southerners said that many rural communities needed help in identifying their assets and developing appropriate strategies. "It is not an acceptable trade-off to lose a community's identity for the sake of regionalism. However, some communities may not actually have an identity to lose," pointed out participants in a forum in Hattiesburg, Mississippi.

#### **Strategic Infrastructure Investments**

"While the group does not completely agree that 'if you build it they will come,' it does argue that if you don't build it, they definitely will not come."

- Report from a forum in Hattiesburg, Mississippi

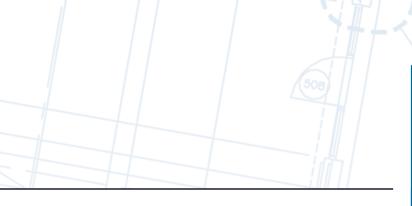
Transportation is a major issue in many rural communities. In Magnolia, Arkansas, for example, the lack of access to a four-lane highway was seen as a major deterrent to economic development. Other communities saw a lack of public transportation as a problem, not in attracting development, but in helping rural residents access jobs outside of their immediate community. A survey respondent promoted the development of regional transportation systems to help rural residents access jobs, pointing out that "Many times, opportunity is less than an hour's ride away, but there is no way to access it now." The Alabama focus group suggested providing grants to help rural regions plan and establish public transportation systems, such as vanpools.

"The technology highway is increasingly more important than the asphalt highway," reported the moderator of a forum in Huntsville, Tennessee, summing up the feelings in that community as well as many others around the region. In Poplarville, Mississippi, for example, participants observed that businesses were relocating to neighboring areas with high speed Internet access. A survey respondent summed up a number of important benefits to broadband access, including business access, distance learning, telemedicine, and up-to-date information for local officials. Several focus groups, including those in Louisiana and Tennessee, saw subsidizing broadband access in rural areas as a state priority.

Changing demographics are placing stress on infrastructure and services in many rural communities. In some areas, such as Camden, South Carolina and Robertsdale, Alabama, growth in surrounding areas is exacerbating traffic problems. Many communities around the South talked about the impact of new immigrants. Others, such as Cookeville, Tennessee, are also seeing an influx of retirees, many of whom are described as wanting to live in rural areas, but with the expectation of receiving urban services.

While 84 percent of forum participants responding to a post-forum questionnaire agreed that rural communities should make major investments in modern infrastructure even if it meant raising taxes, there was some feeling that investments should be "strategic" rather than universal. As a student in Alabama commented, "For infrastructure to do any good it needs to be very focused and have a particular purpose. We would be wasting money if we tried to provide the same infrastructure package to every community." A survey respondent expressed the opinion that "outside resources should be focused on those rural areas where they can have the most impact," pointing out that "Most of the time we focus these resources on communities that have the greatest need, but because of their location or other factors, they will not be able to develop economically." Another survey respondent suggested that we "properly define regional economic development areas" and provide support based on factors related to their potential for success, including 1) university presence; 2) private sector engagement;

- 3) intercommunity involvement; 4) local matching funds; 5) entrepreneurship support; and 6) inclusive leadership.



#### FOCUS GROUP & FORUM LOCATIONS

#### Alabama

Anniston, AL (2)
Bay Minette, AL
Carrollton, AL
Chilton Co., AL
Dothan, AL
Fayette Co., AL
McIntosh, AL
Montgomery, AL
Opp, AL
Phil Campbell, AL
Robertsdale, AL
Thomasville, AL
Tuscaloosa, AL (2)
Selma, AL

#### **Arkansas**

Forest City, AR Magnolia, AR Pocahontas, AR

#### Georgia

Athens, GA Atlanta, GA (2) Baker Co., GA

#### Kentucky

Elizabethtown, KY Hopkinsville, KY Lexington, KY Owenton, KY Somerset, KY (2) Vanceburg, KY

#### Louisiana

Baton Rouge, LA Hammond, LA Minden, LA Tallulah, LA

#### Mississippi

Booneville, MS (2) Carthage, MS Columbus, MS Gulfport, MS Hattiesburg, MS Itta Bena, MS Jackson, MS Philadelphia, MS Poplarville, MS Starkville, MS Tupelo, MS (3) Walnut Grove, MS Yazoo City, MS

#### North Carolina

Durham, NC Tillery, NC

#### Oklahoma

El Reno, OK

#### South Carolina

Bamberg, SC Camden, SC

#### **Tenneessee**

Brownsville, TN Chapel Hill, TN Cookeville, TN Huntsville, TN Waynesboro, TN

#### Virginia

Clifton Forge, VA Danville, VA

#### West Virginia

Roanoke, WV



#### NC Rural Center Institute for Rural Entrepreneurship, New Opportunities for Workers Program

Recognizing that small businesses accounted for most of rural North Carolina's job growth between 1998 and 2002, the N.C. Rural Economic Development Center (Rural Center) created the Institute for Rural Entrepreneurship. A new initiative of the Institute is the New Opportunities for Workers Program (NOW). NOW aids dislocated workers who, due to manufacturing job loss, were forced accept employment with lower wages and fewer benefits. Through NOW, the Rural Center in conjunction with the N.C. Department of Commerce and NC Real Enterprises seeks to build wealth among rural dislocated workers by focusing on small business development. NOW provides unemployed or underemployed individuals with personalized career and training assessments, scholarships for community college courses, and for those who choose to become entrepreneurs, access to capital and ongoing technical support.

Visit the Southern Growth Idea Bank at www.southern.org for more program profiles and best practices.

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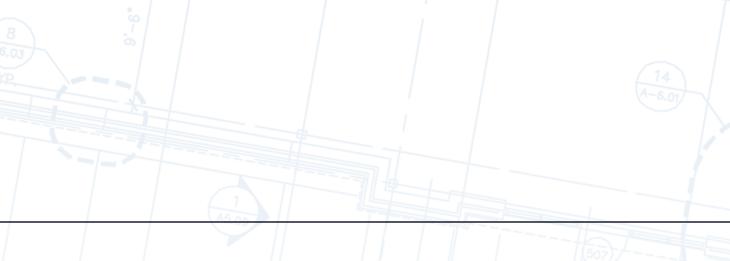
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